

# SCENTRE GROUP

Owner and Operator of *Westfield* in Australia and New Zealand

## Half Year Results to 30 June 2016



Scentre Group Limited ABN 66 001 671 496  
All amounts in Australian dollars unless otherwise specified

The financial information included in this release is based on the Scentre Group's IFRS financial statements. Non IFRS financial information included in this release 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.

Overview	6 months to 30 June 2016
Assets Under Management	\$43.3bn
Profit	\$1,154m
Funds from Operations (FFO)	\$617m
FFO per security	11.61 cents
Distribution per security	10.65 cents
Comparable NOI growth	2.6%
Gearing	33.7% (pro forma 33.2% <sup>1</sup> )

Outlook	2016 Full Year Forecast
Funds from Operations per security	Approximately 23.25 cents
	Approximately 3% growth
Distribution per security	21.3 cents
	2% growth
Comparable NOI growth	2.5 – 3.0%

## Overview

Scentre Group is the pre-eminent Australia & New Zealand focused shopping centre A-REIT. It owns and operates interests in 40 Westfield shopping centres, including 16 of the top 25 performing centres in Australia<sup>2</sup> and has assets under management of \$43.3bn.

## Key highlights for the 6 months to 30 June 2016 include:

### Earnings

For the half year FFO was \$617m or 11.61 cents per security, representing growth of 2.0%.

The forecast FFO for the 12 months ending 31 December 2016 of approximately 23.25 cents per security or 3% growth and forecast distribution of 21.3 cents per security is reconfirmed.

Excluding the impact of transactions, underlying FFO is forecast to increase by approximately 5%

### Specialty Sales

The average specialty sales per square metre (psm) for the portfolio, reached a new benchmark of \$11,000 psm.

### Comparable NOI Growth

For the 6 months to 30 June 2016, comparable NOI increased by 2.6%. The forecast range of 2.5 – 3.0% growth for the full year is maintained.

### Developments

Commenced \$605m of developments (SCG share \$480m).

Completed \$855m of projects (SCG share \$170m), including Casey Central, Westfield Marion Fresh Food, and the third party design and construction project at Pacific Fair.

### Capital Management

Issued €500m (\$745m) of 2023 bonds.

Redeemed \$900m of bonds in July 2016.

Agreed to redeem \$600m of Property Linked Notes. The remaining Notes of approximately \$560m will remain outstanding and have future review dates of 31 December 2021, 2022 and 2023.

1. Pro forma post sale of two New Zealand assets and the acquisition of 77 Market St from David Jones  
 2. Source: Shopping Centre News Big Guns 2016. Based on total sales for the 12 months to 31 December 2015

FUNDS FROM OPERATIONS <sup>1</sup>			
\$m	6 months to 30 June 2016	6 months to 30 June 2015	Pro Forma Growth % <sup>2</sup>
Net Property Income	895	929	2.1%
Management Income	23	23	0.6%
Project Income	50	33	49.7%
<b>Gross Income</b>	<b>968</b>	<b>985</b>	<b>3.8%</b>
Overheads	(42)	(44)	(5.7%)
<b>EBIT</b>	<b>926</b>	<b>941</b>	<b>4.2%</b>
Net Interest	(232)	(254)	(0.5%)
<b>Earnings before Tax</b>	<b>694</b>	<b>687</b>	<b>5.9%</b>
Tax	(37)	(35)	22.0%
Minority Interest	(40)	(48)	0.7%
<b>Funds from Operations</b>	<b>617</b>	<b>604</b>	<b>5.4%</b>

DISTRIBUTION		
\$m	6 months to 30 June 2016	6 months to 30 June 2015
<b>Funds from Operations</b>	<b>617</b>	<b>604</b>
Retained Earnings	(51)	(49)
<b>Distribution</b>	<b>566</b>	<b>555</b>
Number of Securities (million)	5,311.6	5,311.6
<b>Funds from Operations per Security (cents)</b>	<b>11.61</b>	<b>11.38</b>
<b>Distribution per Security (cents)</b>	<b>10.65</b>	<b>10.45</b>

BALANCE SHEET – PROPORTIONATE <sup>1</sup>		
\$m	30 June 2016	31 December 2015
Total Property Investments	30,813	30,078
<b>Total Assets</b>	<b>32,901</b>	<b>31,948</b>
Total Liabilities	13,374	12,886
<b>Net Assets</b>	<b>19,527</b>	<b>19,062</b>
Minority Interest	(1,276)	(1,422)
<b>Net Assets attributable to members of Scentre Group</b>	<b>18,251</b>	<b>17,640</b>

1. Refer appendix for Funds from Operations and Balance Sheet reconciliations  
 2. Excluding the impact of transactions

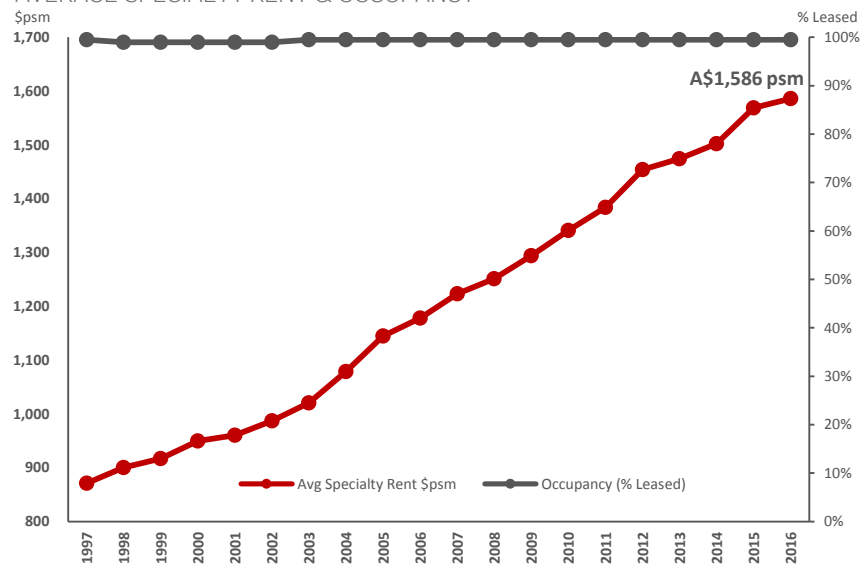
# OPERATING PERFORMANCE

SCENTRE GROUP

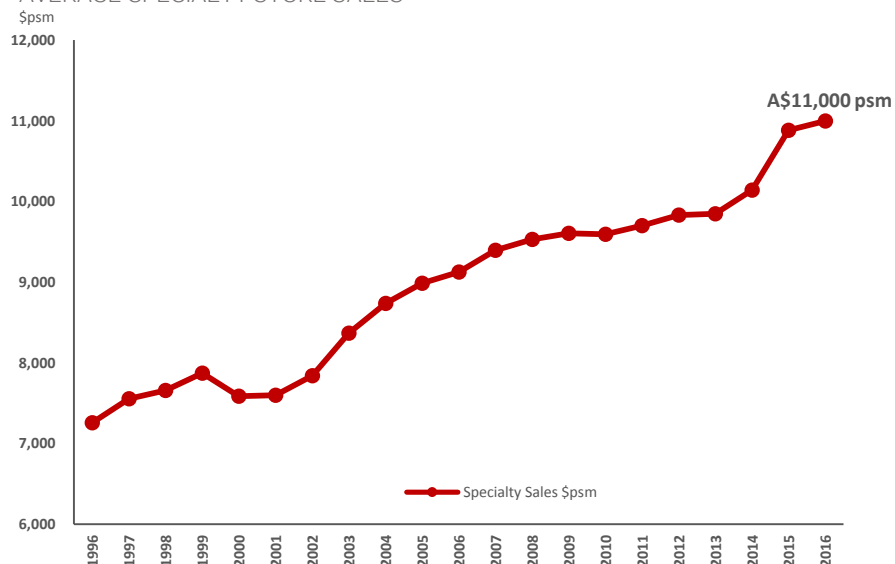
30 June 16

Total Sales (Moving Annual Turnover)	\$22.6bn
Average Specialty Store Sales (psm)	\$11,000
Specialty Store Rent (psm)	\$1,586
Comparable NOI Growth	2.6%
Portfolio Leased	> 99.5%
Occupancy Cost	17.7%
Lease Deals Completed Number	1,550
Lease Deals Completed Area (sqm)	215,526

AVERAGE SPECIALTY RENT & OCCUPANCY

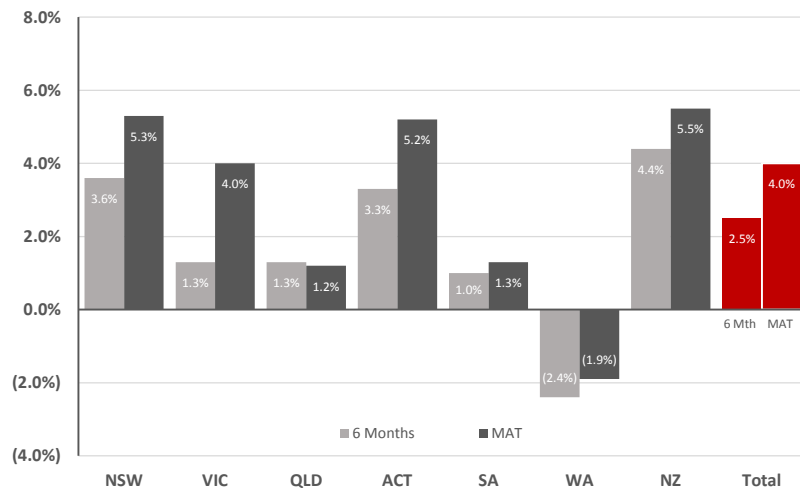


AVERAGE SPECIALTY STORE SALES



TOTAL PORTFOLIO	COMPARABLE SALES GROWTH % <sup>1</sup>	
	6 months to 30 June 2016	12 months to 30 June 2016
Majors	1.7%	2.3%
Mini Majors	0.8%	2.6%
Specialties	2.5%	4.0%
<b>Total Portfolio</b>	<b>1.3%</b>	<b>2.7%</b>

COMPARABLE SPECIALTY SALES GROWTH BY REGION<sup>1</sup>



BY CATEGORY	COMPARABLE SALES GROWTH % <sup>1</sup>	
	6 months to 30 June 2016	12 months to 30 June 2016
Supermarkets	0.2%	1.0%
Department Stores	2.8%	3.5%
Discount Department Stores	3.0%	3.0%
Cinemas	(5.9%)	1.6%
Fashion	1.1%	3.3%
Footwear	1.8%	4.2%
Jewellery	8.9%	8.9%
Leisure	4.3%	5.8%
General Retail <sup>2</sup>	1.0%	0.2%
Homewares	0.3%	2.2%
Technology & Appliances	2.8%	3.6%
Retail Services	(0.6%)	(0.1%)
Health & Beauty	3.7%	5.8%
Food Retail	2.1%	2.0%
Food Catering	1.8%	3.1%

1. Total stable portfolio

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

## ACTIVE PROJECTS

	Total Project \$m	SCG Share \$m	Anticipated Completion
<b>2016 Commencements</b>			
Chermside	355	355	2017
North Lakes – Link Mall	170	85	2016
Whitford City – Cinemas & Restaurants	80	40	2017
<b>Prior Period Commencements</b>			
Warringah Mall	310	155	2016
<b>Total Active Projects</b>	<b>915</b>	<b>635</b>	
<b>Project Yield Range</b>	<b>7.0% - 7.5%</b>		

## FUTURE PIPELINE

### Total Future Development Pipeline > \$3bn

Albany (NZ)	Marion (SA)	Tea Tree Plaza (SA)
Carousel (WA)	Newmarket (NZ)	Warringah – Stage 2 (NSW)
Coomera (QLD)	Plenty Valley (VIC)	Whitford – Stage 2 (WA)
Innaloo (WA)	St Lukes (NZ)	
Knox (VIC)	Sydney (NSW)	

Key highlights for the 6 months to 30 June 2016 include:

### Commenced

Commenced \$605m of developments (SCG share \$480m), including developments at Chermside, North Lakes and Whitford City.

### Completed

Completed \$855m of projects (SCG share \$170m), including Casey Central, Westfield Marion Fresh Food, and the third party design and construction project at Pacific Fair.

### Future Pipeline

The future development pipeline continues to be in excess of \$3bn, with forecast total returns in excess of 15%

DEBT METRICS	30 June 16	31 December 15
Total interest bearing liabilities	\$11.4bn	\$11.1bn
Gearing (look through basis)	33.7% <sup>1</sup>	33.3%
Weighted average interest rate	4.5%	4.7%
Weighted average debt maturity	5.6 years	5.6 years
Liquidity	\$3.3bn <sup>2</sup>	\$3.7bn
Interest rate hedged percentage – current	85%	86%
Interest rate hedged percentage – avg next 3 years	70% <sup>2</sup>	74%

INVESTMENT GRADE RATINGS		
Moody's	A1 (Stable)	A1 (Stable)
Standard & Poor's	A (Stable)	A (Stable)

BOND COVENANTS	REQUIREMENT		
Net Debt / Net Assets	≤ 65%	35.0% <sup>3</sup>	34.6%
Secured Debt / Total Assets	≤ 45%	0.7%	0.7%
Interest Coverage <sup>4</sup>	≥ 1.5 times	3.6 times	3.5 times
Unencumbered Leverage	≥ 125%	280%	285%

## Gearing

33.7% or 33.2% pro forma for the sale of two New Zealand assets and the acquisition of 77 Market St from David Jones.

## Debt Capital Markets

Issued €500m (\$745m) of 2023 bonds.  
Redeemed \$900m of bonds in July 2016.

## Bank Facilities

Refinanced and extended \$2.6bn of bank loan facilities

## Debt Maturities

No debt maturities until July 2018

## Property Linked Notes

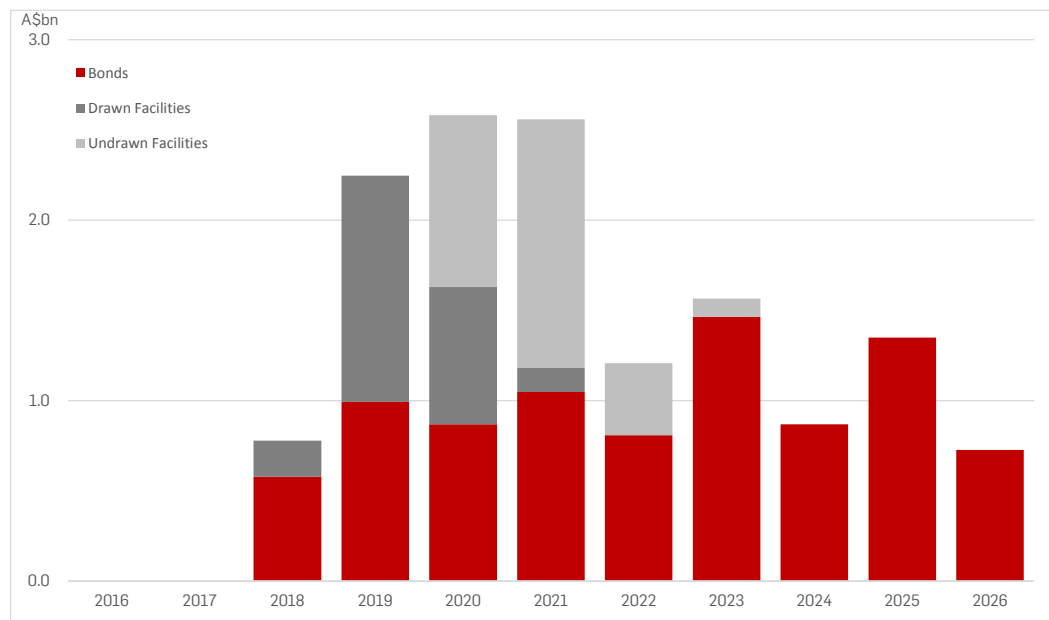
Agreed to redeem \$600m of Property Linked Notes. The remaining Notes of approximately \$560m will remain outstanding and have future review dates of 31 December 2021, 2022 and 2023.

1. On a pro forma basis, post sale of two New Zealand assets and 77 Market St acquisition, gearing would be 33.2%
2. Adjusted for early redemption of \$900m domestic MTNs on 20 July 2016, sale of two New Zealand assets and 77 Market St acquisition
3. On a pro forma basis, post sale of two New Zealand assets and 77 Market St acquisition, Net Debt / Net Assets would be 34.5%
4. For the 12 month period

## FACILITIES & LIQUIDITY<sup>1</sup>

30 June 16	%	\$bn
<b>Bonds</b>		
USD	21%	\$2.8
EUR	27%	\$3.8
GBP	11%	\$1.5
AUD	4%	\$0.6
<b>Total</b>	<b>63%</b>	<b>\$8.7</b>
<b>Bank Facilities</b>		
Drawn	17%	\$2.3
Undrawn	20%	\$2.9
<b>Total</b>	<b>37%</b>	<b>\$5.2</b>
<b>Total Facilities</b>	<b>100%</b>	<b>\$13.9</b>
Less Drawn		(\$11.0)
Plus Cash		\$0.4
<b>Total Liquidity</b>		<b>\$3.3</b>

## MATURITY PROFILE<sup>1</sup>



1. Foreign currency bonds at fully hedged A\$ equivalent face value, adjusted for early redemption of \$900m domestic MTNs on 20 July 2016, sale of two New Zealand assets and 77 Market St acquisition



# APPENDICES

# OUR PORTFOLIO

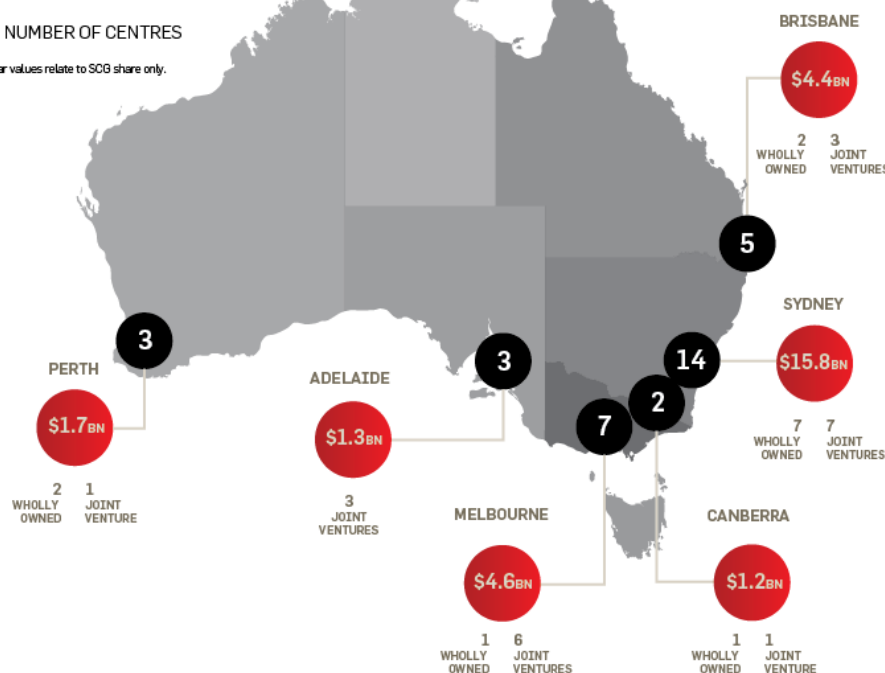
SCENTRE GROUP

As at 30 June 2016 <sup>1</sup>	Total
Centres	40
Number of Retail Outlets	11,657
Gross Lettable Area (m sqm)	3.6
SCG Interest (bn)	\$30.8
JV Partner Interests (bn)	\$12.5
Assets Under Management (bn)	\$43.3
Weighted Average Capitalisation Rate	5.54%

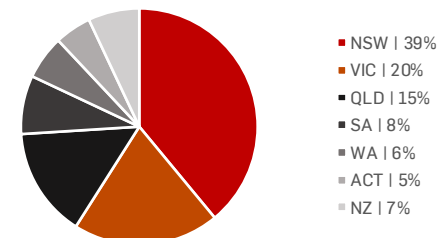
## AUSTRALIA 34 CENTRES A\$29.5 BILLION<sup>1</sup>

● NUMBER OF CENTRES

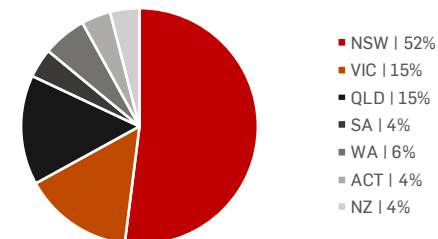
All dollar values relate to SCG share only.



PORTFOLIO BY GLA<sup>1</sup>



PORTFOLIO BY ASSET VALUE (SCG SHARE)<sup>1</sup>



1. Includes construction in progress and assets held for development

# DEVELOPMENTS

## ACTIVE PROJECTS

### WESTFIELD CHERMSIDE

#### OVERVIEW

Project Cost	\$355m (SCG Share: \$355m)
Additional Retailers	Approx 95
Incremental GLA <sup>1</sup>	33,000
Completed GLA <sup>1</sup>	156,600
Completion Date	Q2 2017

Construction is now well underway for the \$355m redevelopment at Westfield Chermiside which is due for completion in mid-2017.

Interest from retailers has been strong for each of the project's three components: the fashion galleria mall, the new restaurant precinct and the lifestyle and entertainment precinct.

Key mini majors Zara and H&M have now been leased.

1. Retail component only

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# DEVELOPMENTS

## ACTIVE PROJECTS

### WESTFIELD NORTH LAKES

#### OVERVIEW

Project Cost	\$170m (SCG Share: \$85m)
Additional Retailers	Approx 60
Incremental GLA <sup>1</sup>	43,500
Completed GLA <sup>1</sup>	113,000
Completion Date	Nov 2016

The successful opening of the Events cinema complex in March 2016 marked the completion of the Stage 1 redevelopment.

The \$170m Stage 2 redevelopment is progressing well. Construction of the IKEA store and Kmart - anchored retail mall linking to the existing centre is anticipated for completion in November 2016.

Leasing has been strong with all mini majors (JB Hi-Fi HOME, Cotton On Mega and Rebel) secured and specialty leasing deals nearing completion.

1. Includes Ikea





# DEVELOPMENTS

## ACTIVE PROJECTS

### WESTFIELD WARRINGAH MALL

#### OVERVIEW

Project Cost	\$310m (SCG Share: \$155m)
Additional Retailers	Approx 70
Incremental GLA <sup>1</sup>	14,000
Completed GLA	133,000
Completion Date	Nov 2016

Construction at Westfield Warringah Mall is progressing well and on track for completion in November 2016.

In July 2016 the first stage of the \$310m redevelopment opened with a new fresh food market and the Cross Street multi-deck parking structure with approximately 1,200 spaces.

The final stage will include the launch of Australia's first "New Look" Myer department store and an additional 70 retailers. It will also include a refurbished centre court, dedicated event spaces and a customised kids play area developed in conjunction with local community groups.

Leasing demand for the centre remains high, with H&M committing to the centre as well as a collection of fashion and food retailers that will resonate with the centres trade area.

1. Gross built GLA 14,000 including the Myer reconfiguration





# DEVELOPMENTS

## ACTIVE PROJECTS

### WESTFIELD WHITFORD CITY

#### OVERVIEW

Project Cost	\$80m (SCG Share: \$40m)
Additional Retailers	4
Incremental GLA	5,000
Completed GLA	85,000
Completion Date	2017

Construction at Westfield Whitford City commenced in Q3 2016 with completion expected in 2017.

The project includes a new Events cinema (including a Gold Class) and a comprehensive entertainment, dining & leisure precinct comprising restaurants, cafes and family entertainment uses.





# DEVELOPMENTS

## COMPLETED PROJECT

### CASEY CENTRAL

#### OVERVIEW

Project Cost	\$155m (SCG Share \$155m)
Additional Retailers	76
Completed Centre Retailers	98
Incremental GLA	22,200
Completed GLA	28,700

In March 2016 Casey Central's \$155m redevelopment opened with 84 new specialty stores, a new full line Coles Supermarket adjoining a fresh food precinct, a new format Target discount department store and an Aldi supermarket.

Highlights of the project include the new fresh food market, a casual outdoor dining precinct and an external children's play area, creating a destination for the local community.

The final stage is scheduled to be completed in September 2016 with the opening of a new Woolworths supermarket.



PROFIT AND FFO				
\$m	PROFIT 6 months to 30 June 2016 A	FFO Adjustments <sup>1</sup> B	FFO 6 months to 30 June 2016 A+B	Notes to the Financial Statements
Net Property Income	871	24	895	Note 4(a)(iv)
Management Income <sup>2</sup>	23	-	23	Note 4(a)(i)
Project Income <sup>3</sup>	50	-	50	Note 4(a)(i)
<b>Gross Income</b>	<b>944</b>	<b>24</b>	<b>968</b>	
Overheads	(42)	-	(42)	Note 4(a)(i)
Revaluations	391	(391)	-	Note 4(a)(i)
<b>EBIT</b>	<b>1,293</b>	<b>(367)</b>	<b>926</b>	
Net Interest <sup>4</sup>	(43)	(189)	(232)	
Currency Derivatives	17	(17)	-	Note 4(a)(i)
<b>Earnings before Tax</b>	<b>1,267</b>	<b>(573)</b>	<b>694</b>	
Tax	(53)	16	(37)	Note 4(a)(i), Note 9, Note 13(a)
Minority Interest <sup>5</sup>	(60)	20	(40)	
<b>Profit / Funds from Operations</b>	<b>1,154</b>	<b>(537)</b>	<b>617</b>	

1. FFO adjustments relate to revaluations, mark to market of interest rate and currency derivatives, tenant allowance amortisation and deferred tax expense.

2. Management income \$28m less management expenses \$5m = \$23m.

3. Project income \$233m less project expenses \$183m = \$50m.

4. Financing costs \$91m (Note 4(a)(i)) less interest income \$5m (Note 4(a)(i)) less interest expense on other financial liabilities \$34m (Note 7) less net fair value loss on other financial liabilities \$9m (Note 7) = \$43m.

5. Minority interest \$17m (Note 4(a)(i)) plus interest expense on other financial liabilities \$34m (Note 7) plus net fair value loss on other financial liabilities \$9m (Note 7) = \$60m.



# BALANCE SHEET

SCENTRE GROUP

## BALANCE SHEET PROPORTIONATE <sup>1</sup>

\$m	Consolidated	Equity Accounted	30 June 2016	31 December 2015
	A	B	A+B	
Cash	209	13	222	153
<b>Property Investments</b>				
- Shopping centres	27,666	2,433	30,099	29,513
- Development projects and construction in progress	640	74	714	565
<b>Total Property Investments</b>	<b>28,306</b>	<b>2,507</b>	<b>30,813</b>	<b>30,078</b>
Property investments held for sale	426	-	426	417
Equity accounted investments	2,411	(2,411)	-	-
Deferred tax assets	69	-	69	83
Currency derivative receivables	387	-	387	566
Other assets	978	6	984	651
<b>Total Assets</b>	<b>32,786</b>	<b>115</b>	<b>32,901</b>	<b>31,948</b>
Interest bearing liabilities				
- Current	1,590	-	1,590	1,713
- Non-current	9,811	-	9,811	9,391
Finance lease liabilities	40	15	55	54
Deferred tax liabilities	192	62	254	236
Currency derivative payables	94	-	94	18
Other liabilities	1,532	38	1,570	1,474
<b>Total Liabilities</b>	<b>13,259</b>	<b>115</b>	<b>13,374</b>	<b>12,886</b>
<b>Net Assets</b>	<b>19,527</b>	<b>-</b>	<b>19,527</b>	<b>19,062</b>
Minority interest <sup>2</sup>	(1,276)	-	(1,276)	(1,422)
<b>Net Assets attributable to members of Scentre Group</b>	<b>18,251</b>	<b>-</b>	<b>18,251</b>	<b>17,640</b>
Debt <sup>3</sup>			10,886	10,403
Assets <sup>4</sup>			32,292	31,229
<b>Gearing</b>			<b>33.7%</b>	<b>33.3%</b>

1. Period end AUD/NZD exchange rate 1.0444 at 30 June 2016 (AUD/NZD 1.0665 at 31 December 2015).

2. Includes \$1,003m (31 Dec 15 \$1,155m) of Property Linked Notes shown in minority interest given their equity characteristics, and \$273m (31 Dec 15 \$267m) relating to Carindale.

3. Interest bearing liabilities less cash, less currency derivative receivables, plus currency derivative payables

4. Total assets excluding cash and currency derivative receivables

CASH FLOWS FROM OPERATING ACTIVITIES – LOOK THROUGH BASIS			
\$m	Consolidated A	Equity Accounted B	30 June 2016 A+B
Receipts in the course of operations (including GST)	1,495	116	1,611
Payments in the course of operations (including GST)	(519)	(26)	(545)
Dividends/distributions received from equity accounted investments	48	(48)	-
Income and withholding taxes paid	(60)	(5)	(65)
GST paid	(106)	(9)	(115)
Payments of financing costs (excluding interest capitalised)	(279)	(13)	(292)
Interest received	4	-	4
<b>Net cash flows from operating activities</b>	<b>583</b>	<b>15</b>	<b>598</b>

# INTEREST HEDGING PROFILE

SCENTRE GROUP

85% Hedged at 30 June 2016

70% Hedged on average for next 3 years<sup>1, 2</sup>

\$ FIXED RATE DEBT			DERIVATIVES HEDGING FLOATING RATE \$ & NZ\$ DEBT					
31 December <sup>1</sup>	\$ Debt Payable		\$ Swap Payable		NZ\$ Swap Payable		NZ\$ Collar Payable	
	\$m	Fixed Rate	\$m	Fixed Rate	NZ\$m	Fixed Rate	NZ\$m	Strike Rate
2016	(580.0)	3.25%	(7,717.5)	2.92%	(440.0)	3.59%	(70.0)	3.39%/5.25%
2017	(580.0)	3.25%	(7,508.5)	2.90%	(350.0)	3.35%	(70.0)	3.39%/5.25%
2018	(580.0)	3.25%	(7,095.0)	2.89%	(210.0)	3.34%	(70.0)	3.39%/5.25%
2019	(430.0)	3.31%	(5,730.0)	2.86%	(180.0)	3.51%	-	-
2020	(430.0)	3.31%	(3,960.0)	2.96%	(130.0)	3.50%	-	-
2021	(30.0)	3.81%	(2,260.0)	3.06%	-	-	-	-
2022	-	-	(750.0)	3.10%	-	-	-	-

1. As at 30 June 2016. All rates exclude borrowing margin

2. Adjusted for early redemption of \$900m domestic MTNs on 20 July 2016, sale of two New Zealand assets and 77 Market St acquisition