SCENTRE GROUP

ASX Announcement

5 April 2017

Scentre Group (ASX: SCG)
Scentre Group Limited Annual General Meeting

Attached are copies of the addresses to be given at today's Annual General Meeting by:

- Mr Brian Schwartz AM, Chairman; and
- Mr Peter Allen, Chief Executive Officer.

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SCENTRE GROUP

CHAIRMAN'S ADDRESS
SCENTRE GROUP LIMITED
ANNUAL GENERAL MEETING

HELD ON WEDNESDAY, 5 APRIL 2017, AT 10:00AM
INTERCONTINENTAL SYDNEY, JAMES COOK BALLROOM
117 MACQUARIE STREET SYDNEY NSW 2000

Our Chief Executive Officer, Peter Allen, will talk about our results in more detail shortly, but I would like to highlight what I see as our achievements in 2016 as well as our opportunities going forward.

Our long term strategy is to create and own the leading retail destinations in Australia and New Zealand. As part of that strategy and, as foreshadowed last year, with the sale of Casey Central in Victoria and WestCity in New Zealand, we have now divested those centres that did not meet this objective. Rebalancing our portfolio allows us to re-allocate capital to our higher performing assets.

Our portfolio – 34 centres in Australia and 5 centres in New Zealand – comprises some of the strongest performing centres in their regions.

During the year we also acquired an interest in the David Jones Market Street building in Sydney's CBD which will allow us to expand and enhance our luxury retail offering at Westfield Sydney.

For the 12 months to 31 December 2016, we achieved funds from operations growth of 3.2% which was ahead of guidance. But for the impact of transactions during the year FFO growth, which is the real measure of our business performance, would have been around 5%.

The full year distribution of 21.3 cents per security was up 2% from the prior year.

Profit for the year was $2.991 billion, including property revaluations of $1.6 billion and our total assets were $34.1 billion.

These results reflect the strong operating performance, which Peter will comment on further.

Our redevelopments continue to create long term value.

In the last year we completed and opened $665 million of redevelopments and commenced $605 million of redevelopments. Through these projects we continue to execute the Group's purpose of:

"*Creating extraordinary places, connecting and enriching communities*".

Our development pipeline is in excess of $3 billion, providing us with ongoing opportunities which include the new "greenfield" development at Westfield Coomera in Queensland and the Group's first development in New Zealand, at Westfield Newmarket in Auckland.

All of this, of course, could not be done without our people and the knowledge and commitment that they bring to the business. They work together to deliver superior customer experiences to create value for our partners, our retailers, our shoppers and you, our securityholders.

During the year, we conducted our first Scentre Group employee engagement survey and are proud to have achieved an employee engagement score of 85%, considered to be "best in class" globally.

For a relatively new Group, this is a very pleasing result and I want to acknowledge Peter's leadership and commitment, as well as that of the senior leadership team, in this achievement.

People and culture is also about diversity. Both management and the Board believe that a balanced and diverse team can only enhance the Group's ability to deliver on strategy and serve our customers. Talented and motivated people are critical to our ongoing success.

We recognise that female representation at our senior executive level is an ongoing challenge for us. However, the Board and management remain committed to a diverse and inclusive workplace and we will keep working to increase our representation of women at senior executive levels.

The impact of digital technology and digital disruption also remains a keen focus for us. Our engagement with the digital world is reflected in both the appointments to our Board and to senior management and we will continue to ensure that our skills in this area are current and relevant.

Digital innovation, through advanced data analytics and the development of new technologies, continues to be embedded across all our business operations.

The year also saw us continue our process of Board renewal. I believe our Board reflects the diversity of skills, talent and experience required to guide the Group in the future.

Two of our directors are standing for re-election today and you will hear from both Andrew and Aliza shortly on their re-election.

I will now ask Peter to talk about the results, and our outlook, in more detail and outline the work that that he, and the senior leadership team, continue to undertake to deliver in line with the goals and aspirations of the Group.

-ENDS-

SCENTRE GROUP

CHIEF EXECUTIVE OFFICER'S ADDRESS
SCENTRE GROUP LIMITED
ANNUAL GENERAL MEETING

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Thank you Chairman. Good morning Ladies and Gentlemen.

2016 was a successful year for Scentre Group and we are well positioned for the future.

Scentre Group's portfolio is the highest quality shopping centre portfolio across Australia and New Zealand. This includes many of the best centres in both markets, including 16 of the top 25 shopping centres in Australia and 4 of the top 5 in New Zealand by annual sales. Over 50% of our portfolio is in Sydney and 85% is located in the capital cities of Sydney, Melbourne and Brisbane.

98% of our portfolio is invested in regional and CBD shopping centres, with more than 80% of the portfolio generating annual sales in excess of $500 million, with three centres, Westfield Bondi Junction, Sydney and more recently Fountain Gate generating annual sales in excess of $1 billion.

Our centres are located in strategic locations, with high population density growth.

Approximately 85% of new household formation over the past 5 years was in the trade areas of our shopping centres. Our opportunity therefore is to grow our market share in a growing market.

And the quality of our portfolio reinforces its resilience in face of any market fluctuations and retail change.

For 2016, the Group delivered funds from operations of $1.238 billion or 23.3 cents per security, representing an increase of 3.2 % which was higher than guidance.

FFO growth would have been approximately 5% if not for the impact of dilutive asset sales.

The strength of our operating performance – with continued growth in specialty sales, high specialty sales productivity and continued growth in comparable net operating income - has underpinned our profit for the year, which was $2.991 billion including property revaluations of $1.6 billion.

Our operational merit hinges upon our ability to attract the best retailers to the right centres, allowing us to curate a retail mix that perfectly suits the consumer demands of a given trade area.

If we can get this right, our job is already half done, and so the art and science of retail curation has been - and will continue to be – an area of considerable focus for Scentre Group.

We're continuing to improve the retail product offering by introducing more on-trend and desirable brands. In turn, these brands are driving demand for retail space across our portfolio - which remains more than 99.5% leased.

And there are other indicators that we are getting our curation right.

Our top 30 Australian growth retailers have in aggregate grown their store network from 151 to 438 stores in the last five years, with 100 stores leased last year.

Our Australian portfolio has had specialty retail sales growth of 2.6% for the year, with growth across most categories. And over the past two years, sales have grown on average 4% per annum.

Last year we completed and opened $665 million worth of redevelopments and commenced another $605 million worth of projects.

The completed projects at Westfield Warringah Mall and North Lakes are both trading well, and our redevelopments open during the year have contributed more than $200 million of valuation uplift.

Our projects currently underway at Westfield Chermside and Whitford City are progressing well.

The $355 million redevelopment at Westfield Chermside will have its first stage opening tomorrow, including the introduction of Zara, H&M and Sephora, with Uniqlo to come later in the year following the project's final opening in June.

The broadening of the range and depth of the centre's fashion offer will be complemented by the largest lifestyle and entertainment precinct in an Australian mall.

The $80 million redevelopment at Westfield Whitford City which opens in November comprises a casual dining precinct and an Event Cinemas complex. The combination of leisure, entertainment and dining is a key element in creating that sense of place.

Already this year, we've commenced two more projects - an $80 million cinema complex and restaurant precinct at Westfield Plenty Valley in Melbourne, and a $350 million project at Westfield Carousel in Perth.

Carousel's redevelopment, like our other two planned redevelopment projects in Perth, will include the introduction of a David Jones department store, following a three-store deal between Scentre Group and David Jones.

Together, these three projects represent a unique opportunity to change the face of our entire West Australian portfolio as we invest around $1 billion over the next 3 years.

Reinvestment in our assets is essential to ensure that our shopping centres are at the forefront of the retail offer in Australia and New Zealand. Leveraging our unique vertically integrated operating platform, the Group's development activity improves the quality of our portfolio through creating extraordinary places, growing retailer sales and creating long term value.

Our development pipeline which exceeds $3 billion, presents our business with a range of exciting growth opportunities.

Pre-development work continues across the portfolio.

Other projects likely to start in in the next 12 months include Westfield Coomera on Queensland's Gold Coast – our first greenfield development in more than 10 years – and our first redevelopment in New Zealand, at Newmarket.

Our capital structure is underpinned by a strong balance sheet with $2.8 billion of available liquidity, a long debt maturity profile and gearing at 33%.

Scentre Group has high investment grade credit ratings by the key ratings agencies Moody's and S&P.

Capital transactions over the past 18 months include the sale of 7 centres in Australia and New Zealand that did not meet our long term strategic objectives.

Our portfolio has been refined so that we do not intend to make any further sales in the foreseeable future.

We were also successful in conjunction with Cbus Property to acquire the David Jones Market Street store adjacent to Westfield Sydney, providing a future development opportunity to expand our luxury retail precinct.

During the year we made some significant internal changes to our business in order to lead the Group into a new phase of growth.

The customer experience function we flagged at last year's AGM is now an operational business unit that combines centre experience management, brand experience management, and our digital and insight teams.

They take accountability for every single customer touchpoint. From the entry/exit experience, to the front of house service and in-centre operations, including customer safety and security.

And we're looking to deliver a personalised physical and digital engagement before, during and after a centre visit, informed by the data we capture and analyse, in order to meet the consumer's needs.

Our leasing and retail solutions business is also undergoing transformation in order to deliver our key strategic objective of being 'a true partner to our retailers'.

In all of our activities, we are giving significant consideration to digital integration.

Much of the infrastructure we've been installing in our centres facilitates this, including the Wi-Fi and smart screen networks, as well as increasingly sophisticated parking systems. The rollout of ticketless parking is continuing across our portfolio, and the digital advertising network that we introduced in Australia in 2015 is now being rolled out in New Zealand.

We have implemented advanced data analytics to identify the best retail mix within each shopping centre and precinct to optimise locations for both brands and retailers.

And by sharing our learnings with our retail partners we can, together, more fully meet the needs and expectations of our customers.

Sustainability too, has become more embedded throughout Scentre Group.

More than environmental considerations alone, our sustainable business framework encompasses 4 key pillars of our organisation - our environmental impact, financial performance, community engagement and our employees - ensuring we're doing our very best to maintain the long term viability of the Group. There's more about this in our Sustainability Report which we released online last week.

Underpinning all of this is a marked shift in Scentre Group's internal culture, which is deeply embedded in our organisation.

Our first step in this process was to articulate our purpose – creating extraordinary places, connecting and enriching communities. This informs what we do as a business and why, and is complemented by our DNA – a set of behaviours that guide how our people can work to achieve our strategic goals.

Since then we've rolled out a number of initiatives that define who we are as an organisation, including our Diversity and Inclusion strategy. This encompasses gender representation, workplace flexibility, Indigenous employment, LGBTI considerations, mental health and domestic and family violence.

Each of these pillars encompasses a range of different initiatives that reflect the sort of organisation we are becoming, and importantly, reflects the customers and retail partners we serve.

A measure of just how positive our workplace culture is, can be seen in our recent employee survey which had an 85% favourable engagement score. That's a reflection of the efforts we've made and pleasingly, places Scentre Group in the top 5% globally for employee engagement.

The old saying goes that the only constant in retail is change. Our role has always been to adapt to the changes in retail, and we believe the exciting and cutting edge places we create will continue to attract both retailers and consumers.

We regard our centres as social infrastructure. They are not just places where people come to shop. They are places where people meet, dine, and are entertained, as well as shop.

We continue to see customer expectations change. The availability of choice and information encourages the consumer to be more discerning. Their expectations of retailers are increasing and therefore their expectations of the experience they have in our places are also increasing.

That is why we are so focused on understanding our two customers, the retailer and the consumer.

I look forward to an exciting future for Scentre Group. We have a clearly defined strategy that is well understood throughout the business. We have an engaged and experienced workforce looking to innovate across a range of areas, and we are confident that our portfolio of shopping centres is positioned for future growth.

For 2017, the Group forecasts funds from operations growth of approximately 4.25%. Excluding the impact of transactions, the forecast underlying FFO growth is approximately 5%.

The 2017 distribution is forecast to be 21.73 cents per security, an increase of 2% as we continue to retain earnings to reinvest in our business.

In closing, I would like to thank the Scentre Group team for their efforts during the year that have contributed to our outstanding results. I'd also thank the Chairman and the Board for the support and guidance they provide to me and our executive leadership team.

Thank you.

I will now hand back to the Chairman.

-ENDS-