

ASX Announcement

19 May 2016

Vicinity extends asset divestment program

Vicinity Centres (Vicinity, ASX:VCX) today advised that its previously announced asset divestment program of approximately \$750 million to \$1 billion has been extended to approximately \$1.5 billion. This revised amount of potential asset sales includes the in principle agreement to sell stakes in two assets to ISPT for \$224.6 million.

Mr Angus McNaughton, CEO and Managing Director, said: “With a range of portfolio enhancing opportunities available to us through investment in our development pipeline and selective acquisitions, including continued expansion in the Outlet Centre space, we are extending the size of our asset divestment program. We are very pleased with the substantial progress made to date on our divestment program, both in terms of pricing achieved and speed of execution.”

The extended asset divestment program of approximately \$1.5 billion comprises:

- the five agreed asset sales announced earlier in May 2016 for a total consideration of \$926.4 million,
- a 25% interest in The Myer Centre Brisbane, QLD and a 50% interest in Mornington Central, VIC to be sold to ISPT for a total consideration of \$224.6 million, and
- an additional tranche of approximately \$350 million of asset sales.

Mr McNaughton added: “The divestment campaign of the additional tranche of assets, to be marketed on an individual basis, will commence in the coming weeks.”

The in principle agreement for Vicinity to sell stakes in two assets to ISPT is the resolution of a difference of opinion regarding the interpretation of a pre-emptive rights provision applying to Vicinity's 50% interest in The Myer Centre Brisbane, and whether the merger of Federation Centres and Novion Property Group triggered that right. The application of this provision was initially raised by ISPT, Vicinity's co-owner in The Myer Centre Brisbane, in September 2015.

Mr McNaughton said: “ISPT is a valued strategic partner of Vicinity. While we have differing views on whether or not the pre-emptive right was triggered by the merger last year, this in principle agreement reflects the wish of both parties to achieve a pragmatic and commercial settlement of the issue. No other assets across the portfolio are impacted by the issue that has arisen in relation to The Myer Centre Brisbane. Vicinity will continue to manage both The Myer Centre Brisbane and Mornington Central.”

The agreed sale price for Vicinity's 25% interest in The Myer Centre Brisbane is \$192.1 million, which is the midpoint of Vicinity's 31 December 2015 valuation and ISPT's 30 June 2015 valuation. The agreed sale price for Vicinity's 50% interest in Mornington Central is \$32.5 million, being Vicinity's 31 December 2015 valuation.

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The completion of the sale of The Myer Centre Brisbane and Mornington Central is expected to occur in the coming months, and is subject to agreeing documentation. Upon settlement, Vicinity will have a 25% interest in The Myer Centre Brisbane and a one-off put option in relation to this interest exercisable on the second anniversary of the settlement of this transaction, and a 50% interest in Mornington Central.

In the short term, the sale proceeds from the asset divestment program will be used to repay debt. Over time, this capital will be reinvested into value-accretive development and acquisition opportunities, further enhancing the quality of the portfolio. An example of this is the recently announced joint venture with Perth Airport Pty Ltd to develop a new DFO Outlet Centre at Perth Airport for a cost of approximately \$145 million (Vicinity's share is approximately \$72.5 million).

Prior to any reinvestment, the expected impact of approximately \$1.5 billion of asset sales on underlying earnings per security (EPS) is approximately 1.5 cents dilution on an annualised basis and on gearing, a reduction of approximately 7.7% based on a pro forma balance sheet at 31 December 2015. No impact on FY16 underlying EPS guidance is anticipated due to the expected timing of asset sales.

ENDS

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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 over \$23 billion in retail assets under management across 95 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 85 shopping centres and manages 38 assets on behalf of Strategic Partners, 28 of which are co-owned by the Group. Listed on the Australian Securities Exchange under the trading code 'VCX', Vicinity has over 24,000 securityholders. For more information visit the Group's website vicinity.com.au, or use your smartphone to scan this QR code.

