

SCENTRE GROUP

SGX Announcement

23 August 2016

Singapore Exchange
2 Shenton Way
#02-02 SGX Centre
Singapore 068804

Scentre Group Trust 2 Half-Year Financial Report

In relation to the half-year for the 6 months ended 30 June 2016, attached is the half-year financial report for Scentre Group Trust 2. This financial report was lodged by Scentre Group with the Australian Securities Exchange today.

Contact:

Company Secretary
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Owner and Operator of  in Australia and New Zealand

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SCENTRE MANAGEMENT LIMITED ABN 41 001 670 579 AFS Licence No: 230329 as responsible entity of Scentre Group Trust 1 ABN 55 191 750 378 ARSN 090 849 746
RE1 LIMITED ABN 80 145 743 862 AFS Licence No: 380202 as responsible entity of Scentre Group Trust 2 ABN 66 744 282 872 ARSN 146 934 536
RE2 LIMITED ABN 41 145 744 065 AFS Licence No: 380203 as responsible entity of Scentre Group Trust 3 ABN 11 517 229 138 ARSN 146 934 652
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Scentre Group Trust 2

Half-Year Financial Report

For the half-year ended 30 June 2016

	Page
Half-year financial report	
- Income statement	1
- Statement of comprehensive income	2
- Balance sheet	3
- Statement of changes in equity	4
- Cash flow statement	5
- Notes to the financial statements	6
Directors' declaration	13
Independent auditor's report	14
Directors' report	15
Directory	17

SCENTRE GROUP TRUST 2**INCOME STATEMENT**

for the half-year ended 30 June 2016

	Note	30 Jun 16 \$million	30 Jun 15 \$million
Revenue			
Property revenue		258.4	267.0
		258.4	267.0
Share of after tax profits of equity accounted entities			
Property revenue		268.7	287.9
Property revaluations		100.8	84.9
Property expenses, outgoings and other costs		(70.9)	(76.5)
Net interest expense		(4.6)	(6.5)
Tax benefit/(expense)		(9.0)	18.5
		285.0	308.3
Expenses			
Property expenses, outgoings and other costs		(64.7)	(67.5)
Overheads		(3.8)	(3.6)
		(68.5)	(71.1)
Interest income		1.2	5.4
Currency gain	3	2.9	82.7
Financing costs		(53.0)	(118.1)
Property revaluations		80.5	122.0
Profit before tax		506.5	596.2
Tax expense		-	-
Profit after tax for the period attributable to members of Scentre Group Trust 2		506.5	596.2
		cents	cents
Basic earnings per unit	4	9.51	11.20
Diluted earnings per unit	4	9.51	11.20

SCENTRE GROUP TRUST 2
STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 30 June 2016

	30 Jun 16 \$million	30 Jun 15 \$million
Profit after tax for the period	506.5	596.2
Other comprehensive income		
<i>Movement in foreign currency translation reserve ⁽ⁱ⁾</i>		
- Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	2.8	(53.7)
- Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	-	(50.0)
Total comprehensive income for the period	509.3	492.5

⁽ⁱ⁾ This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations may be transferred to the profit and loss depending on how the foreign operations are sold.

SCENTRE GROUP TRUST 2

BALANCE SHEET

as at 30 June 2016

	30 Jun 16 \$million	31 Dec 15 \$million
Current assets		
Cash and cash equivalents	29.4	11.7
Trade debtors	1.2	0.7
Derivative assets	-	0.3
Receivables	44.2	33.5
Other current assets	5.9	8.7
Total current assets	80.7	54.9
Non current assets		
Investment properties	7,411.3	7,243.0
Equity accounted investments	7,266.3	7,073.5
Derivative assets	141.4	100.2
Other non current assets	9.8	9.8
Total non current assets	14,828.8	14,426.5
Total assets	14,909.5	14,481.4
Current liabilities		
Trade creditors	47.4	48.8
Payables and other creditors	162.4	153.4
Interest bearing liabilities	2,694.5	2,437.1
Derivative liabilities	4.6	9.1
Total current liabilities	2,908.9	2,648.4
Non current liabilities		
Interest bearing liabilities	935.8	966.0
Derivative liabilities	63.8	50.5
Total non current liabilities	999.6	1,016.5
Total liabilities	3,908.5	3,664.9
Net assets	11,001.0	10,816.5
Equity		
Contributed equity	8,159.8	8,159.8
Reserves	39.8	37.0
Retained profits	2,801.4	2,619.7
Total equity	11,001.0	10,816.5

SCENTRE GROUP TRUST 2
STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2016

	<i>Contributed</i>		<i>Retained</i>	30 Jun 16	<i>Contributed</i>		<i>Retained</i>	30 Jun 15
	<i>Equity</i>	<i>Reserves</i>	<i>Profits</i>	<i>Total</i>	<i>Equity</i>	<i>Reserves</i>	<i>Profits</i>	<i>Total</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Changes in equity attributable to members of Scentre Group Trust 2								
Balance at the beginning of the period	8,159.8	37.0	2,619.7	10,816.5	8,159.8	125.4	1,772.1	10,057.3
- Profit after tax for the period ⁽ⁱ⁾	-	-	506.5	506.5	-	-	596.2	596.2
- Other comprehensive income ^{(i) (ii)}	-	2.8	-	2.8	-	(103.7)	-	(103.7)
Transactions with owners in their capacity as owners								
- Distributions paid or provided for	-	-	(324.8)	(324.8)	-	-	(239.6)	(239.6)
Closing balance of equity attributable to members of Scentre Group Trust 2	8,159.8	39.8	2,801.4	11,001.0	8,159.8	21.7	2,128.7	10,310.2

⁽ⁱ⁾ Total comprehensive income for the period amounts to a gain of \$509.3 million (30 June 2015: \$492.5 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 2 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of \$2.8 million (30 June 2015: loss of \$53.7 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of nil (30 June 2015: \$50.0 million).

SCENTRE GROUP TRUST 2

CASH FLOW STATEMENT

for the half-year ended 30 June 2016

	30 Jun 16 \$million	30 Jun 15 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	292.3	300.2
Payments in the course of operations (including GST)	(78.4)	(75.6)
Distributions received from equity accounted entities	165.0	156.7
GST paid	(20.6)	(20.6)
Payments of financing costs (excluding interest capitalised)	(87.1)	(103.9)
Interest received	1.2	5.5
Net cash flows from operating activities	272.4	262.3
Cash flows used in investing activities		
Capital expenditure on property investments	(82.6)	(43.4)
Net outflows for investments in and loans to equity accounted entities	(62.8)	(25.3)
Financing costs capitalised to qualifying development projects and construction in progress	(3.3)	(1.5)
Net cash flows used in investing activities	(148.7)	(70.2)
Cash flows used in financing activities		
Net repayment of interest bearing liabilities	(151.8)	(864.3)
Net loans received from related entities	370.6	914.2
Distributions paid	(324.8)	(239.6)
Net cash flows used in financing activities	(106.0)	(189.7)
Net increase in cash and cash equivalents held	17.7	2.4
Add opening cash and cash equivalents brought forward	11.7	10.6
Cash and cash equivalents at the end of the period	29.4	13.0

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

1 Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2016 was approved in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, SGT2, Scentre Group Trust 3 and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

The nature of the operations and principal activities of the Trust are described in the Directors' Report.

2 Basis of preparation of the financial report

This half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of SGT2 as at 31 December 2015.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

This half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Regulations 2001 and AASB 134 'Interim Financial Reporting'.

This half-year financial report has been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments and derivative financial instruments. The carrying value of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period.

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2015 except for the changes required due to amendments to the accounting standards noted below.

This half-year financial report is presented in Australian dollars.

(b) New accounting standards and interpretations

The following new or amended standards which became applicable on 1 January 2016 have been adopted in respect of the Trust:

- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101; and
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

The adoption of these amended standards has no material impact on the financial statements of the Trust.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the half-year ended 30 June 2016. The impact of these new standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 9 Financial Instruments (effective from 1 January 2018)

This standard includes requirements to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

- IFRS 15 Revenue from Contracts with Customers (expected to be effective from 1 January 2018)

This standard determines the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2018)

This standard amends AASB 10 - Consolidated Financial Statements and AASB 128 - Investments in Associates and Joint Ventures to address an inconsistency between the requirements in AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- IFRS 16 Leases (effective from 1 January 2019)

This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors.

The Responsible Entity is currently assessing the impact of these recently issued or amended standards.

(c) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this half-year financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

	30 Jun 16 \$million	30 Jun 15 \$million
3 Currency gain		
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	2.9	0.3
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	-	82.4
	2.9	82.7

	cents	cents
4 Earnings per unit		
(a) Summary of earnings per unit		
Basic earnings per unit	9.51	11.20
Diluted earnings per unit	9.51	11.20

(b) Income and unit data

The following reflects the income and unit data used in the calculations of basic and diluted earnings per unit:

	\$million	\$million
Earnings used in calculating basic earnings per unit ⁽ⁱ⁾	506.5	596.2
Adjustment to earnings on options which are considered dilutive	-	-
Earnings used in calculating diluted earnings per unit	506.5	596.2

⁽ⁱ⁾ Refer to the income statement for details of the profit after tax attributable to members of the Trust.

	No. of units	No. of units
Weighted average number of ordinary units used in calculating basic earnings per unit	5,324,296,678	5,324,296,678
Security options which are dilutive	-	-
Adjusted weighted average number of ordinary units used in calculating diluted earnings per unit	5,324,296,678	5,324,296,678

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

	30 Jun 16	31 Dec 15
	No of units	No of units
5 Contributed equity		
Number of units on issue		
Balance at the beginning and end of the period	5,324,296,678	5,324,296,678

Scentre Group stapled securities have the right to receive declared dividends from Scentre Group Limited (SGL) and distributions from Scentre Group Trust 1 (SGT1), SGT2 and Scentre Group Trust 3 (SGT3) and, in the event of winding up SGL, SGT1, SGT2 and SGT3, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on Scentre Group stapled securities held.

Holders of Scentre Group stapled securities can vote their shares and units in accordance with the Corporations Act, either in person or by proxy, at a meeting of any of SGL, SGT1, SGT2 and SGT3 (as the case may be).

	30 Jun 16	30 Jun 15
	\$million	\$million
6 Distributions		
(a) Interim distribution		
Ordinary units: 7.15 cents per unit (30 June 2015: 6.25 cents per unit)	380.7	332.8
	380.7	332.8

Details of the full year components of distribution will be provided in the Annual Tax Statement which will be sent to members in July 2017.

The interim distribution will be paid on 31 August 2016. The record date for the entitlement to this distribution was 5pm, 15 August 2016. Scentre Group does not operate a distribution reinvestment plan.

(b) Distribution paid		
Distribution in respect of the six months to 31 December 2015	324.8	-
Distribution in respect of the six months to 31 December 2014	-	239.6
	324.8	239.6

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

7 Segment reporting

Geographic segments

The Trust has investments in a portfolio of shopping centres across Australia and New Zealand.

The Trust's income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format on a geographic basis. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues, expenses, assets and liabilities.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Trust as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management considers, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar, the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the proportionate format aggregates both revenue and expense items across the whole portfolio, rather than netting the income and expense items for equity accounted centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

(a) Income and expenses

	Australia		New Zealand		Total	
	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15	30 Jun 16	30 Jun 15
	\$million	\$million	\$million	\$million	\$million	\$million
Revenue						
Property revenue	485.5	496.9	41.6	58.0	527.1	554.9
	485.5	496.9	41.6	58.0	527.1	554.9
Expenses						
Property expenses, outgoings and other costs	(123.6)	(127.3)	(12.0)	(16.7)	(135.6)	(144.0)
Segment result	361.9	369.6	29.6	41.3	391.5	410.9
Overheads					(3.8)	(3.6)
Interest income					1.6	5.9
Currency gain					2.9	82.7
Financing costs					(58.0)	(125.1)
Property revaluations					181.3	206.9
Tax benefit/(expense)					(9.0)	18.5
Net profit attributable to members of SGT2					506.5	596.2

(b) Assets and liabilities

	Australia		New Zealand		Total	
	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15	30 Jun 16	31 Dec 15
	\$million	\$million	\$million	\$million	\$million	\$million
Total segment assets	14,535.9	14,157.7	877.1	833.1	15,413.0	14,990.8
Total segment liabilities	4,032.9	3,797.5	379.1	376.8	4,412.0	4,174.3
Total segment net assets	10,503.0	10,360.2	498.0	456.3	11,001.0	10,816.5
Equity accounted investments included in segment assets	6,892.7	6,749.8	877.1	833.1	7,769.8	7,582.9
Equity accounted investments included in segment liabilities	124.4	132.6	379.1	376.8	503.5	509.4
Additions to segment non current assets during the period	130.6	295.3	4.2	10.3	134.8	305.6

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

7 Segment reporting (continued)

(c) Reconciliation of segment results

The Trust's segment income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format. The composition of the Trust's consolidated and equity accounted details are provided below:

	Consolidated \$million	Equity accounted \$million	Total \$million
30 June 2016			
Revenue			
Property revenue	258.4	268.7	527.1
	258.4	268.7	527.1
Expenses			
Property expenses, outgoings and other costs	(64.7)	(70.9)	(135.6)
Segment result	193.7	197.8	391.5
Overheads	(3.8)	-	(3.8)
Interest income	1.2	0.4	1.6
Currency gain	2.9	-	2.9
Financing costs	(53.0)	(5.0)	(58.0)
Property revaluations	80.5	100.8	181.3
Tax expense	-	(9.0)	(9.0)
Net profit attributable to members	221.5	285.0	506.5
As at 30 June 2016			
Cash and cash equivalents	29.4	19.7	49.1
Trade debtors and receivables	45.4	9.9	55.3
Shopping centre investments	7,186.1	7,635.3	14,821.4
Development projects and construction in progress	225.2	101.5	326.7
Other assets	157.1	3.4	160.5
Total assets	7,643.2	7,769.8	15,413.0
Interest bearing liabilities	3,630.3	267.0	3,897.3
Deferred tax liabilities	-	88.2	88.2
Other liabilities	278.2	148.3	426.5
Total liabilities	3,908.5	503.5	4,412.0
Net assets	3,734.7	7,266.3	11,001.0

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

7 Segment reporting (continued)

(c) Reconciliation of segment results (continued)

30 June 2015	Consolidated \$million	Equity accounted \$million	Total \$million
Revenue			
Property revenue	267.0	287.9	554.9
	267.0	287.9	554.9
Expenses			
Property expenses, outgoings and other costs	(67.5)	(76.5)	(144.0)
Segment result	199.5	211.4	410.9
Overheads	(3.6)	-	(3.6)
Interest income	5.4	0.5	5.9
Currency gain	82.7	-	82.7
Financing costs	(118.1)	(7.0)	(125.1)
Property revaluations	122.0	84.9	206.9
Tax benefit	-	18.5	18.5
Net profit attributable to members of SGT2	287.9	308.3	596.2
As at 31 December 2015			
Cash and cash equivalents	11.7	13.7	25.4
Trade debtors and receivables	34.2	18.0	52.2
Shopping centre investments	7,085.0	7,451.8	14,536.8
Development projects and construction in progress	158.0	97.0	255.0
Other assets	119.0	2.4	121.4
Total assets	7,407.9	7,582.9	14,990.8
Interest bearing liabilities	3,403.1	264.5	3,667.6
Deferred tax liabilities	-	82.8	82.8
Other liabilities	261.8	162.1	423.9
Total liabilities	3,664.9	509.4	4,174.3
Net assets	3,743.0	7,073.5	10,816.5

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

8 Fair value of financial assets and liabilities

Set out below is a comparison by category of fair values and carrying amounts of all the Trust's financial instruments:

		Fair value		Carrying amount	
	Fair value hierarchy	30 Jun 16 \$million	31 Dec 15 \$million	30 Jun 16 \$million	31 Dec 15 \$million
Consolidated assets					
Cash and cash equivalents		29.4	11.7	29.4	11.7
Trade debtors ⁽ⁱ⁾		1.2	0.7	1.2	0.7
Receivables					
- Other receivables ⁽ⁱ⁾		44.2	33.5	44.2	33.5
Derivative assets ⁽ⁱⁱ⁾	Level 2	141.4	100.5	141.4	100.5
Consolidated liabilities					
Payables ⁽ⁱ⁾		209.8	202.2	209.8	202.2
Interest bearing liabilities					
- Fixed rate debt ⁽ⁱⁱ⁾	Level 2	1,872.2	1,845.0	1,725.3	1,725.5
- Floating rate debt ⁽ⁱⁱ⁾	Level 2	1,905.0	1,677.7	1,905.0	1,677.6
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	68.4	59.6	68.4	59.6

⁽ⁱ⁾ These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

⁽ⁱⁱ⁾ These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

Determination of fair value

The Trust uses the following hierarchy for determining and disclosing the fair value of its financial instruments. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Trust's financial instruments, consideration is given to the available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the half-year ended 30 June 2016, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

9 Contingent liabilities

On 27 June 2016, the Trust entered into an agreement to guarantee the \$1,002.8 million Property Linked Notes issued by Scentre Group Trust 1 to PGGM Private Real Estate Fund.

10 Subsequent events

In November 2015, Scentre Group entered into an agreement for the sale of its 100% (Trust share 50%) interest in Westfield Queensgate and Westfield Chartwell to Diversified NZ Property Fund Limited subject to the approval of the Overseas Investment Office, New Zealand (OIO). Approval by the OIO was received on 1 August 2016 and settlement of the transaction occurred on 22 August 2016.

In July 2016, the Trust redeemed \$900 million of domestic medium term notes.

In August 2016, the Trust, jointly with Cbus Property, purchased the David Jones 77 Market Street building in Sydney's CBD for \$360 million. The Trust's share of the purchase price is \$182.5 million with Cbus Property paying the balance of \$177.5 million.

SCENTRE GROUP TRUST 2

DIRECTORS' DECLARATION

The Directors of RE1 Limited, the Responsible Entity of Scentre Group Trust 2 (Trust) declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the Financial Statements and Notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2016 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the *Corporations Act 2001*.

Made on 23 August 2016 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent auditor's report to the members of Scentre Group Trust 2

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 (the Trust), which comprises the balance sheet as at 30 June 2016, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the trust and the entities it controlled at half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Scentre Group Trust 2 and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

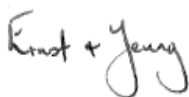
Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of RE1 Limited a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scentre Group Trust 2 is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



Ernst & Young

Sydney, 23 August 2016



Graham Ezzy
Partner

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT

The Directors of RE1 Limited (the Responsible Entity), the Responsible Entity of Scentre Group Trust 2 (the Trust or SGT2) submit the following report for the half-year ended 30 June 2016 (Financial Period).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, SGT2, Scentre Group Trust 3 and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Directors

At the date of this report, the Board comprised the following Directors. The independence status of, and the period of office held by, each Director is as follows:

Name	Position Held	Independent (Y/N)	Date appointed
Brian Schwartz AM	Chairman/Non-Executive Director	Y	30 June 2014
Peter Allen	Chief Executive Officer/Executive Director	N	12 August 2010
Andrew Harmos	Non-Executive Director	Y	21 December 2010
Michael Ihlein	Non-Executive Director	Y	21 December 2010
Carolyn Kay	Non-Executive Director	Y	24 February 2016
Aliza Knox	Non-Executive Director	Y	7 May 2015
Steven Lowy AM	Non-Executive Director	N	12 August 2010
Margaret Seale	Non-Executive Director	Y	24 February 2016

During the Financial Period, Mr Frank Lowy AC and Mr Richard Egerton-Warburton AO LVO retired from the Board of the Responsible Entity at the conclusion of Scentre Group Limited's Annual General Meeting on 5 May 2016. Mr Brian Schwartz succeeded Mr Lowy as Chairman.

The Board of the Responsible Entity, RE1 Limited, is identical to the Board of Scentre Group Limited, the parent company of Scentre Group. If a Director ceases to be a Director of Scentre Group Limited for any reason, they must also retire as a Director of RE1 Limited.

2. Review and results of operations

The Trust's net profit for the Financial Period (attributable to members of SGT2) was \$506.5 million. The aggregate distribution (attributable to members of SGT2) for the Financial Period is \$380.7 million (being 7.15 cents per unit). Basic earnings per unit for the Financial Period is 9.51 cents.

As at 30 June 2016, the Trust's portfolio comprised 39 centres in Australia and New Zealand with a combined value of \$15.1 billion.

As at 30 June 2016, the Trust's portfolio was more than 99.5% leased. Net property income for the Financial Period was \$391.5 million. Comparable net operating income growth across the portfolio was 2.6%. Comparable specialty retail sales for the Financial Period increased by 2.5%.

During the Financial Period, Scentre Group completed \$855 million of projects (Trust share: \$85 million) including Casey Central, Westfield Marion Fresh Food and the third party design and construction project at Pacific Fair. Work also continues on the \$310 million Warringah Mall development (Trust share: \$77.5 million) which is expected to be completed in November 2016.

In 2016, Scentre Group has commenced \$605 million (Trust share: \$240 million) of developments including projects at Chermside and North Lakes in Brisbane and Whitford City in Perth. The development projects at Chermside and Whitford City are expected to be completed in 2017 and the stage 2 Link Mall project at North Lakes is expected to be completed in November 2016.

Total available financing facilities at 30 June 2016 of \$3,679.5 million (31 December 2015: \$3,559.1 million) is in excess of the Trust's net current liabilities of \$2,828.2 million (31 December 2015: \$2,593.5 million). Net current liabilities comprise current assets less current liabilities.

There have been no significant changes in the Trust's state of affairs during the Financial Period.

A detailed operating and financial review of Scentre Group is contained in the Directors' Report in the Scentre Group Half-Year Financial Report which is available at www.scentregroup.com.

3. Principal Activities

The principal activities of the Trust during the Financial Period were the ownership and improvement of shopping centres. There were no significant changes in the nature of those activities during the Financial Period.

4. Subsequent events

In November 2015, Scentre Group entered into an agreement for the sale of its 100% (Trust share: 50%) interest in Westfield Queensgate and Westfield Chartwell to Diversified NZ Property Fund Limited subject to the approval of the Overseas Investment Office, New Zealand (OIO). Approval by the OIO was received on 1 August 2016 and settlement of the transaction occurred on 22 August 2016.

In July 2016, the Trust redeemed \$900 million of domestic medium term notes.

In August 2016, the Trust, jointly with Cbus Property, purchased the David Jones 77 Market Street building in Sydney's CBD for \$360 million. The Trust's share of the purchase price is \$182.5 million with Cbus Property paying the balance of \$177.5 million.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

5. Rounding

The Trust is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the Directors' Report, the Financial Statements and the Notes thereto have been rounded to the nearest tenth of a million dollars. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

6. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

7. Auditor's independence declaration

The Directors have obtained the following independence declaration from the auditor, Ernst & Young.



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GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the review of Scentre Group Trust 2 for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Scentre Group Trust 2 and the entities it controlled during the Financial Period.

Ernst & Young

23 August 2016

Graham Ezzy
Partner

A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation

This Report is made on 23 August 2016 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

DIRECTORY

Scentre Group

Scentre Group Limited
ABN 66 001 671 496

Scentre Group Trust 1

ARSN 090 849 746
(responsible entity Scentre Management Limited
ABN 41 001 670 579, AFS Licence No 230329)

Scentre Group Trust 2

ARSN 146 934 536
(responsible entity RE1 Limited
ABN 80 145 743 862, AFS Licence No 380202)

Scentre Group Trust 3

ARSN 146 934 652
(responsible entity RE2 Limited
ABN 41 145 744 065, AFS Licence No 380203)

Registered Office

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Sydney NSW 2000
Telephone: +61 2 9358 7000
Facsimile: +61 2 9028 8500

New Zealand Office

Level 2, Office Tower
277 Broadway
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Telephone: +64 9 978 5050
Facsimile: +64 9 978 5070

Secretaries

Maureen T McGrath
Paul F Giugni

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Investor Information

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85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7877
Facsimile: +61 2 9028 8500
E-mail: investor@scentregroup.com
Website: www.scentregroup.com

Principal Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Enquiries: 1300 730 458
Facsimile: +61 3 9473 2500
E-mail: web.queries@computershare.com.au
Website: www.computershare.com

ADR Registry

Bank of New York Mellon
Depositary Receipts Division
101 Barclay St
22nd Floor
New York, New York 10286
Telephone: +1 212 815 2293
Facsimile: +1 212 571 3050
Website: www.adrbny.com
Code: SCTRY

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com