

Scentre Group Trust 2 Half-Year Financial Report

For the half-year ended 30 June 2019

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SCENTRE GROUP TRUST 2
STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 30 June 2019

	Note	30 Jun 19 \$million	30 Jun 18 \$million
Revenue			
Property revenue		303.1	276.3
		303.1	276.3
Expenses			
Property expenses, outgoings and other costs		(76.3)	(71.0)
Overheads		(4.0)	(4.5)
		(80.3)	(75.5)
Share of after tax profits of equity accounted entities		180.0	480.7
Interest income		3.0	0.7
Currency gain/(loss)		0.8	(2.3)
Financing costs		(164.0)	(115.7)
Gain in respect of capital transactions	6	76.6	-
Property revaluations		35.0	195.8
Profit before tax		354.2	760.0
Tax expense		-	-
Profit after tax for the period		354.2	760.0
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		0.6	1.4
Total comprehensive income for the period		354.8	761.4
⁽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.			
		cents	cents
Basic and diluted earnings per unit	5	6.66	14.28

SCENTRE GROUP TRUST 2

BALANCE SHEET

as at 30 June 2019

	Note	30 Jun 19 \$million	31 Dec 18 \$million
Current assets			
Cash and cash equivalents		530.0	13.0
Trade debtors		6.8	5.1
Derivative assets		0.9	1.3
Receivables	7	375.0	191.3
Other current assets		9.0	17.0
Total current assets		921.7	227.7
Non current assets			
Investment properties		9,583.5	10,198.7
Equity accounted investments		8,666.6	8,628.2
Derivative assets		335.7	229.9
Other non current assets		30.2	32.4
Total non current assets		18,616.0	19,089.2
Total assets		19,537.7	19,316.9
Current liabilities			
Trade creditors		63.8	77.6
Payables and other creditors		152.9	168.9
Interest bearing liabilities	8	1,855.2	862.5
Total current liabilities		2,071.9	1,109.0
Non current liabilities			
Interest bearing liabilities	8	3,489.9	4,503.9
Derivative liabilities		284.0	122.3
Total non current liabilities		3,773.9	4,626.2
Total liabilities		5,845.8	5,735.2
Net assets		13,691.9	13,581.7
Equity			
Contributed equity		8,142.3	8,142.3
Reserves		21.1	20.5
Retained profits		5,528.5	5,418.9
Total equity		13,691.9	13,581.7

SCENTRE GROUP TRUST 2

STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2019

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 19 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 18 Total \$million
Changes in equity								
Balance at the beginning of the period, as reported	8,142.3	20.5	5,418.9	13,581.7	8,159.8	8.5	5,017.4	13,185.7
- Impact of change in accounting standard ⁽ⁱ⁾	-	-	-	-	-	-	(1.4)	(1.4)
Adjusted balance at the beginning of the period	8,142.3	20.5	5,418.9	13,581.7	8,159.8	8.5	5,016.0	13,184.3
- Profit after tax for the period ⁽ⁱⁱ⁾	-	-	354.2	354.2	-	-	760.0	760.0
- Other comprehensive income ^{(ii) (iii)}	-	0.6	-	0.6	-	1.4	-	1.4
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of units and associated costs	-	-	-	-	(17.5)	-	-	(17.5)
- Distributions paid or provided for	-	-	(244.6)	(244.6)	-	-	(315.2)	(315.2)
Closing balance of equity	8,142.3	21.1	5,528.5	13,691.9	8,142.3	9.9	5,460.8	13,613.0

⁽ⁱ⁾ From 1 January 2018, the Trust adopted AASB 9 Financial Instruments. This resulted in a charge of \$1.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard.

⁽ⁱⁱ⁾ Total comprehensive income for the period amounts to a gain of \$354.8 million (30 June 2018: \$761.4 million).

⁽ⁱⁱⁱ⁾ 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 \$0.6 million (30 June 2018: \$1.4 million).

SCENTRE GROUP TRUST 2

CASH FLOW STATEMENT

for the half-year ended 30 June 2019

	30 Jun 19 \$million	30 Jun 18 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	340.0	308.4
Payments in the course of operations (including GST)	(88.9)	(83.4)
Dividends/distributions received from equity accounted entities	169.5	173.3
GST paid	(24.3)	(20.2)
Net payments of financing costs (excluding interest capitalised)	(96.7)	(74.0)
Net cash flows from operating activities	299.6	304.1
Cash flows from investing activities		
Capital expenditure	(41.8)	(88.0)
Proceeds from the sale of assets	761.5	3.1
Payments relating to the sale of assets	(21.0)	-
Net outflows for investments in equity accounted entities	(26.6)	(38.0)
Financing costs capitalised to qualifying development projects and construction in progress	(2.4)	(7.6)
Net cash flows from/(used in) investing activities	669.7	(130.5)
Cash flows from financing activities		
Buy-back of units and associated costs	-	(17.5)
Net proceeds from/(repayment of) interest bearing liabilities	(1,118.4)	312.5
Net funds from/(paid to) related entities	910.7	(153.4)
Distributions paid	(244.6)	(315.2)
Net cash flows used in financing activities	(452.3)	(173.6)
Net increase in cash and cash equivalents held	517.0	-
Add opening cash and cash equivalents brought forward	13.0	10.7
Cash and cash equivalents at the end of the period ⁽ⁱ⁾	530.0	10.7

⁽ⁱ⁾ Cash and cash equivalents comprises cash of \$530.0 million (30 June 2018: \$10.7 million) net of bank overdraft of nil (30 June 2018: nil).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

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 2019 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 (SGL), Scentre Group Trust 1 (SGT1), SGT2, Scentre Group Trust 3 (SGT3) 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 2018.

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 2019 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(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, derivative financial instruments and financial assets at fair value through profit and loss. 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 2018 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 Trust has adopted the following new or amended standards which became applicable on 1 January 2019:

- AASB 16 Leases
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards

The adoption of these amended standards has no material impact on the financial results 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 2019. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business (effective from 1 January 2020)
This amends AASB 3 - Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment is not expected to have a significant impact on the financial statements on application.
- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (effective from 1 January 2020)
This amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. This amendment is not expected to have a significant impact on the financial statements on application.
- 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 2022)
This amends AASB 10 - Consolidated Financial Statements and AASB 128 - Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

2 Basis of preparation of the financial report (continued)

(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.

3 Segment reporting

Geographic segments

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

The Trust's segment income and expenses as well as the details of segment assets 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 and 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. The assets underlying both the consolidated and the equity accounted components of the statutory statement of comprehensive income 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. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

The following segment information comprises the earnings of the Trust's Australian and New Zealand operations.

(a) Geographic segment information

	Australia \$million	New Zealand \$million	30 Jun 19 \$million	Australia \$million	New Zealand \$million	30 Jun 18 \$million
Property revenue						
Shopping centre base rent and other property income ⁽ⁱ⁾	568.4	25.1	593.5	535.8	24.9	560.7
Amortisation of tenant allowances	(19.5)	(0.3)	(19.8)	(16.4)	(0.3)	(16.7)
	548.9	24.8	573.7	519.4	24.6	544.0
Expenses						
Property expenses, outgoings and other costs	(141.0)	(6.8)	(147.8)	(136.0)	(5.8)	(141.8)
Segment income and expenses	407.9	18.0	425.9	383.4	18.8	402.2
	Australia \$million	New Zealand \$million	30 Jun 19 \$million	Australia \$million	New Zealand \$million	31 Dec 18 \$million
Shopping centre investments	17,751.1	599.1	18,350.2	18,360.5	605.4	18,965.9
Development projects and construction in progress	305.2	183.4	488.6	295.7	127.4	423.1
Segment assets ⁽ⁱⁱⁱ⁾	18,056.3	782.5	18,838.8	18,656.2	732.8	19,389.0
Additions to segment non current assets during the period	16.6	58.5	75.1	1,052.1	95.8	1,147.9

⁽ⁱ⁾ This includes recovery of outgoings from lessees of \$71.8 million (30 June 2018: \$69.9 million).

⁽ⁱⁱⁱ⁾ Includes equity accounted segment assets of \$9,255.3 million (31 December 2018: \$9,190.3 million).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

3 Segment reporting (continued)

(b) Reconciliation of segment information

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

	Consolidated	Equity accounted	30 Jun 19	Consolidated	Equity accounted	30 Jun 18
	\$million	\$million	\$million	\$million	\$million	\$million
Property revenue	303.1	270.6	573.7	276.3	267.7	544.0
Property expenses, outgoings and other costs	(76.3)	(71.5)	(147.8)	(71.0)	(70.8)	(141.8)
Segment income and expenses	226.8	199.1	425.9	205.3	196.9	402.2
Overheads			(4.0)			(4.5)
Interest income			3.2			0.8
Currency gain/(loss)			0.8			(2.3)
Financing costs			(167.1)			(119.5)
Gain in respect of capital transactions			76.6			-
Property revaluations			21.8			486.8
Tax expense			(3.0)			(3.5)
Net profit attributable to members			354.2			760.0

	Consolidated	Equity accounted	30 Jun 19	Consolidated	Equity accounted	31 Dec 18
	\$million	\$million	\$million	\$million	\$million	\$million
Shopping centre investments	9,308.2	9,042.0	18,350.2	9,930.2	9,035.7	18,965.9
Development projects and construction in progress	275.3	213.3	488.6	268.5	154.6	423.1
Segment assets	9,583.5	9,255.3	18,838.8	10,198.7	9,190.3	19,389.0
Cash and cash equivalents	530.0	11.0	541.0	13.0	13.8	26.8
Other assets	757.6	23.4	781.0	477.0	24.7	501.7
Total assets	10,871.1	9,289.7	20,160.8	10,688.7	9,228.8	19,917.5
Interest bearing liabilities	5,345.1	462.5	5,807.6	5,366.4	406.6	5,773.0
Deferred tax liabilities	-	56.1	56.1	-	56.6	56.6
Other liabilities	500.7	104.5	605.2	368.8	137.4	506.2
Total liabilities	5,845.8	623.1	6,468.9	5,735.2	600.6	6,335.8
Net assets	5,025.3	8,666.6	13,691.9	4,953.5	8,628.2	13,581.7

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

	30 Jun 19 \$million	30 Jun 18 \$million
4 Distributions		
(a) Interim distribution		
5.60 cents per unit (30 June 2018: 7.74 cents per unit)	297.8	411.5
	297.8	411.5

Details of the full year components of distribution will be provided in the Annual Tax Statement which will be sent to members in March 2020.

The interim distribution will be paid on 30 August 2019. The record date for determining entitlement to this distribution was 5pm, 15 August 2019. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Distribution paid		
Distribution in respect of the six months to 31 December 2018	244.6	-
Distribution in respect of the six months to 31 December 2017	-	315.2
	244.6	315.2
	cents	cents

5 Earnings per unit		
(a) Summary of earnings per unit		
Basic and diluted earnings per unit	6.66	14.28

There are no security options which are dilutive.

In calculating basic and diluted earnings per unit, net profit of \$354.2 million (30 June 2018: \$760.0 million) was divided by the weighted average number of ordinary units of 5,316,997,206 (30 June 2018: 5,322,739,327).

(b) Conversions, calls, subscriptions, issues or buy-back after 30 June 2019

There have been no conversions to, calls of, subscriptions for, issuance of new or potential ordinary units or buy-back of units since the reporting date and before the completion of this report.

	30 Jun 19 \$million	30 Jun 18 \$million
6 Gain in respect of capital transactions		
Asset sales and capital costs		
- proceeds from asset sales	761.5	-
- less: carrying value of assets sold and other capital costs	(684.9)	-
Gain in respect of capital transactions	76.6	-

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

	30 Jun 19 \$million	31 Dec 18 \$million
7 Receivables		
Other receivables	52.0	46.9
Interest bearing loans receivable from related entities	323.0	144.4
	375.0	191.3
8 Interest bearing liabilities		
Current		
Interest bearing liabilities	760.5	862.4
Interest bearing loans payable to related entities	1,094.6	-
Lease liabilities	0.1	0.1
	1,855.2	862.5
Non current		
Interest bearing liabilities	3,482.2	4,492.7
Lease liabilities	7.7	11.2
	3,489.9	4,503.9
Total interest bearing liabilities	5,345.1	5,366.4
	30 Jun 19 No. of units	31 Dec 18 No. of units
9 Contributed equity		
Number of units on issue		
Balance at the beginning of the period	5,316,997,206	5,324,296,678
Buy-back and cancellation of units	-	(7,299,472)
Balance at the end of the period	5,316,997,206	5,316,997,206

Holders of Scentre Group stapled securities have the right to receive declared dividends from SGL and distributions from SGT1, SGT2 and 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 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).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

10 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair value	30 Jun 19	31 Dec 18	30 Jun 19	31 Dec 18
	hierarchy	\$million	\$million	\$million	\$million
Consolidated assets					
Cash and cash equivalents		530.0	13.0	530.0	13.0
Trade and other receivables					
- Trade and other receivables ⁽ⁱ⁾		58.8	52.0	58.8	52.0
- Interest bearing loan receivables ⁽ⁱⁱ⁾	Level 2	323.0	144.4	323.0	144.4
Derivative assets ⁽ⁱⁱ⁾	Level 2	336.6	231.2	336.6	231.2
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		216.7	246.5	216.7	246.5
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	3,589.3	2,584.8	3,322.3	2,517.7
- Floating rate debt	Level 2	2,022.8	2,848.3	2,022.8	2,848.7
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	284.0	122.3	284.0	122.3

⁽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 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Investment properties are considered Level 3.

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 thereto 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 2019 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 22 August 2019 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent Auditor's Review Report to the Members of Scentre Group Trust 2

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2019, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2019 and of its consolidated financial 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*.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

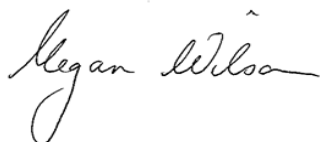
Auditor's Responsibility

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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2019 and its consolidated financial 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 the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

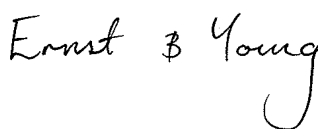
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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*.



Megan Wilson
Partner
Sydney
22 August 2019



Ernst & Young

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 2019 (Financial Period).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, the Trust, 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

As at the date of this report, the Board comprised the following Directors:

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harmos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Aliza Knox	Non-Executive Director
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director

Steven Lowy AM retired as a Director of Scentre Group Limited on 4 April 2019 and Steven Leigh was appointed as a Director on that date.

The Boards of Scentre Management Limited, RE1 Limited and RE2 Limited (as Responsible Entities of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3, respectively) are identical. If a Director ceases to be a director of Scentre Group Limited for any reason, they must also resign as a director of each Responsible Entity.

2. Review and results of operations

2.1 Customer focus

Scentre Group continued to enhance the most efficient platform for its retail partners to engage with their customers. Annual customer visitation is more than 535 million and growing, with customers staying for longer and visiting more frequently. Total annual sales have increased to \$24.4 billion and Scentre Group's platform accounts for more than 7% of all retail sales in Australia. An average specialty store in Scentre Group's portfolio generated annual in-store sales of more than \$1.5 million and continues to grow. Scentre Group has curated a major shift towards experience-based offerings, which now represent 42% of the portfolio.

Occupancy across Scentre Group's portfolio also remains high at 99.3% with comparable net operating income increasing 2.3% for the Financial Period.

2.2 Financing and capital management

During the Financial Period, Scentre Group released \$2.1 billion of capital from the divestment of the Sydney Office Towers (of which the Trust had a 50% joint interest) and Scentre Group Trust 1's 50% interest in Westfield Burwood.

The capital realised from these transactions will be deployed into Scentre Group's business - through providing additional financial capacity for future activities and the security buy-back program of up to \$800 million.

During the Financial Period, Scentre Group issued €500 million (A\$800 million) of 10-year bonds. Proceeds from the bond issue were used mainly to repay borrowings under Scentre Group's revolving credit facilities and for general corporate purposes.

As at 30 June 2019, the Trust has access to available financing facilities of \$3.4 billion (31 December 2018: \$1.6 billion), after deducting facilities utilised by its borrowings.

2.3 Development activities

Scentre Group has total active developments underway of \$835 million (Trust share: \$199 million). The NZ\$790 million (Trust share: NZ\$200 million) development of Westfield Newmarket in Auckland is on track for completion in the fourth quarter of 2019 with the first stage set to open on 29 August 2019.

During the Financial Period, Scentre Group opened the Bradley Street dining precinct at Westfield Woden, bringing six new restaurants to Canberra as part of a \$21 million (Trust share: \$5 million) project.

Scentre Group also commenced construction on the \$30 million (Trust share: \$8 million) rooftop dining, entertainment and leisure precinct at Westfield Doncaster which is due for completion in mid-2020.

Scentre Group continues to work on pre-development opportunities with a future development pipeline in excess of \$3 billion.

2.4 Financial results

The Trust's net profit for the Financial Period was \$354.2 million which mainly comprises net property income of \$425.9 million, gain in respect of capital transactions of \$76.6 million, property revaluations of \$21.8 million and net financing costs of \$163.9 million. The distribution attributable to members of SGT2 for the Financial Period is \$297.8 million (being 5.60 cents per unit) with basic earnings per unit for the Financial Period of 6.66 cents.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

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

A detailed operating and financial review for 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 activity

The principal activity of the Trust during the Financial Period was the long term ownership of shopping centres. There was no significant change in the nature of the principal activity during the Financial Period.

4. Rounding

The Trust is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts shown in the Directors' Report, the Financial Statements and Notes to the Financial Statements 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.

5. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, SGT2 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.

6. Auditor's independence declaration

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



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the review of the financial report of Scentre Group Trust 2 for the half-year ended 30 June 2019, 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

22 August 2019

Megan Wilson

Partner

A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation

This report is made on 22 August 2019 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

Level 30
85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7000
Facsimile: +61 2 9028 8500

New Zealand Office

Level 2, Office Tower
277 Broadway
Newmarket, Auckland 1023
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

Scentre Group
Level 30
85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7877
Facsimile: +61 2 9358 7881
E-mail: investor@scentregroup.com
Website: www.scentregroup.com/investors

Principal Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Toll Free: 1300 730 458 (Australia Only)
Facsimile: +61 3 9473 2500
E-mail: www.investorcentre.com/contact
Website: www.computershare.com

American Depositary Receipt Program

ADR Code: SCTRY
Depository: BNY Mellon
Website: www.adrbnymellon.com

ADR Registry

BNY Mellon Shareowner Services
P.O. Box 505000, Louisville, KY 40233-5000
United States of America
P: US domestic calls (toll free) 1 888 269 2377
P: International calls +1 201 680 6825
Email: shrrelations@cpushareownerservices.com
Website: <https://www-us.computershare.com/investor>

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com