

Scentre Group¹ : Appendix 4D
For the half-year ended 30 June 2019

(previous corresponding period being the half-year ended 30 June 2018)

Results for Announcement to the Market:

			2019	2018
Revenue (\$million)	up	1.6%	1,302.9	1,282.2
Profit after tax attributable to members of Scentre Group (\$million)	down	49.4%	740.0	1,462.6

			2019	2018
Funds from operations (FFO) attributable to members of Scentre Group (\$million)	up	2.9%	676.2	657.2
FFO per security attributable to members of Scentre Group (cents per stapled security) ⁽ⁱ⁾	up	3.0%	12.75	12.38

⁽ⁱ⁾ In calculating the FFO per stapled security 5,304,295,769 (30 June 2018: 5,310,037,890) weighted average securities was used.

Dividend/Distributions for Scentre Group

	Cents per stapled security
Dividend/distributions for the period ended 30 June 2019	11.30
Interim dividend/distributions in respect of Scentre Group earnings to be paid on 30 August 2019 comprising: ⁽ⁱⁱ⁾	11.30
- dividend in respect of a Scentre Group Limited share	Nil
- distribution in respect of a Scentre Group Trust 1 unit	5.70
- distribution in respect of a Scentre Group Trust 2 unit	5.60
- distribution in respect of a Scentre Group Trust 3 unit	Nil

⁽ⁱⁱ⁾ The number of securities entitled to distributions on the record date, 15 August 2019 was 5,316,997,206.

The dividend/distributions per security have been determined by reference to the number of securities on issue at the record date. The record date for determining entitlements to the distributions was 5pm, 15 August 2019 and the distribution will be paid on 30 August 2019. The Group does not operate a Distribution Reinvestment Plan.

Details of the full year components of distributions in respect of Scentre Group Trust 1 and Scentre Group Trust 2 will be provided in the Annual Tax Statements which will be sent to members in March 2020.

Additional information

Commentary on the results is contained in the announcement and results presentation released to the Australian Securities Exchange (ASX).

^[1] Scentre Group comprises Scentre Group Limited ABN 66 001 671 496 (SGL); Scentre Group Trust 1 ARSN 090 849 746 (SGT1); Scentre Group Trust 2 ARSN 146 934 536 (SGT2); and Scentre Group Trust 3 ARSN 146 934 652 (SGT3) and their respective controlled entities.

Scentre Group

Half-Year Financial Report

For the half-year ended 30 June 2019

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SCENTRE GROUP
INCOME STATEMENT
for the half-year ended 30 June 2019

	Note	30 Jun 19 \$million	30 Jun 18 \$million
Revenue			
Property revenue		1,089.8	1,047.8
Property development and construction revenue		185.0	206.2
Property management income		28.1	28.2
		1,302.9	1,282.2
Expenses			
Property expenses, outgoings and other costs		(238.7)	(235.8)
Property development and construction costs		(143.6)	(164.0)
Property management costs		(4.7)	(5.0)
Overheads		(42.5)	(42.1)
		(429.5)	(446.9)
Share of after tax profits of equity accounted entities			
Property revenue		105.1	103.9
Property expenses, outgoings and other costs		(25.5)	(23.7)
Net interest income		0.1	0.1
Property revaluations		(37.7)	82.9
Tax expense		(5.0)	(6.8)
	6(a)	37.0	156.4
Interest income		2.1	1.5
Currency gain/(loss)		2.6	(12.6)
Financing costs	12	(339.7)	(412.8)
Gain in respect of capital transactions	13	134.7	40.8
Property revaluations		62.6	883.2
Profit before tax		772.7	1,491.8
Tax expense	7	(28.7)	(24.1)
Profit after tax for the period		744.0	1,467.7
Profit after tax for the period attributable to:			
- Members of Scentre Group		740.0	1,462.6
- External non controlling interests		4.0	5.1
Profit after tax for the period		744.0	1,467.7
		cents	cents
Basic earnings per stapled security attributable to members of Scentre Group	11(a)	13.95	27.54
Diluted earnings per stapled security attributable to members of Scentre Group	11(a)	13.91	27.46

SCENTRE GROUP

STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 30 June 2019

	30 Jun 19 \$million	30 Jun 18 \$million
Profit after tax for the period	744.0	1,467.7
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	1.0	3.0
Total comprehensive income for the period	745.0	1,470.7
Total comprehensive income attributable to:		
- Members of Scentre Group ⁽ⁱⁱ⁾	741.0	1,465.6
- External non controlling interests	4.0	5.1
Total comprehensive income for the period	745.0	1,470.7

⁽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 held by Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3) may be transferred to the profit and loss depending on how the foreign operations are sold.

⁽ⁱⁱ⁾ Total comprehensive income attributable to members of Scentre Group comprises \$35.0 million (30 June 2018: \$104.8 million) attributable to Scentre Group Limited (SGL) members and \$706.0 million (30 June 2018: \$1,360.8 million) attributable to SGT1, SGT2 and SGT3 members.

Total comprehensive income attributable to members of SGT1, SGT2 and SGT3 consists of profit after tax for the period of \$704.9 million (30 June 2018: \$1,357.9 million) and realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of \$1.1 million (30 June 2018: \$2.9 million).

SCENTRE GROUP
BALANCE SHEET
as at 30 June 2019

	Note	30 Jun 19 \$million	31 Dec 18 \$million
Current assets			
Cash and cash equivalents		693.6	206.1
Trade debtors		33.6	36.2
Derivative assets		225.3	221.6
Receivables		233.7	242.9
Other current assets		48.8	65.8
Total current assets		1,235.0	772.6
Non current assets			
Investment properties	4	34,324.7	36,044.8
Equity accounted investments	6(b)	3,050.5	2,966.2
Derivative assets		1,065.8	892.2
Plant and equipment		45.0	44.6
Deferred tax assets		51.2	54.8
Right-of-use asset		89.2	-
Other non current assets		91.8	99.8
Total non current assets		38,718.2	40,102.4
Total assets		39,953.2	40,875.0
Current liabilities			
Trade creditors		252.3	327.2
Payables and other creditors		748.0	793.2
Interest bearing liabilities	14	1,857.8	1,945.5
Tax payable		11.6	14.5
Derivative liabilities		11.8	12.3
Total current liabilities		2,881.5	3,092.7
Non current liabilities			
Payables and other creditors		31.4	27.6
Interest bearing liabilities	14	11,602.3	12,697.6
Other financial liabilities		696.5	696.9
Deferred tax liabilities		105.8	107.7
Derivative liabilities		611.4	386.7
Total non current liabilities		13,047.4	13,916.5
Total liabilities		15,928.9	17,009.2
Net assets		24,024.3	23,865.8
Equity attributable to members of Scentre Group			
Contributed equity	15(b)	10,465.1	10,465.1
Reserves		116.0	108.7
Retained profits		13,216.2	13,063.9
Total equity attributable to members of Scentre Group		23,797.3	23,637.7
Equity attributable to external non controlling interests			
Contributed equity		75.9	75.9
Retained profits		151.1	152.2
Total equity attributable to external non controlling interests		227.0	228.1
Total equity		24,024.3	23,865.8

SCENTRE GROUP
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 attributable to members of Scentre Group								
Balance at the beginning of the period, as reported	10,465.1	108.7	13,063.9	23,637.7	10,495.2	86.6	11,952.1	22,533.9
- Impact of changes in accounting standards ^{(i) (ii)}	-	-	-	-	-	-	(10.3)	(10.3)
Adjusted balance at the beginning of the period	10,465.1	108.7	13,063.9	23,637.7	10,495.2	86.6	11,941.8	22,523.6
- Profit after tax for the period ⁽ⁱⁱⁱ⁾	-	-	740.0	740.0	-	-	1,462.6	1,462.6
- Other comprehensive income ^{(iii) (iv)}	-	1.0	-	1.0	-	3.0	-	3.0
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of securities and associated costs	-	-	-	-	(30.1)	-	-	(30.1)
- Movement in employee share plan benefits reserve	-	6.3	-	6.3	-	6.3	-	6.3
- Dividends/distributions paid or provided for	-	-	(587.7)	(587.7)	-	-	(577.4)	(577.4)
Closing balance of equity attributable to members of Scentre Group	10,465.1	116.0	13,216.2	23,797.3	10,465.1	95.9	12,827.0	23,388.0
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	75.9	-	152.2	228.1	81.5	-	165.9	247.4
Profit after tax for the period attributable to external non controlling interests ⁽ⁱⁱⁱ⁾	-	-	4.0	4.0	-	-	5.1	5.1
Distribution paid or provided for	-	-	(5.1)	(5.1)	-	-	(5.7)	(5.7)
Decrease in external non controlling interest	-	-	-	-	(5.6)	-	(11.6)	(17.2)
Closing balance of equity attributable to external non controlling interests	75.9	-	151.1	227.0	75.9	-	153.7	229.6
Total equity	10,541.0	116.0	13,367.3	24,024.3	10,541.0	95.9	12,980.7	23,617.6

⁽ⁱ⁾ From 1 January 2018, the Group adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of \$2.9 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard.

⁽ⁱⁱ⁾ From 1 January 2018, the Group adopted AASB 9 Financial Instruments. This resulted in a charge of \$7.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard.

⁽ⁱⁱⁱ⁾ Total comprehensive income for the period amounts to \$745.0 million (30 June 2018: \$1,470.7 million).

^(iv) Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of \$1.1 million (30 June 2018: \$2.9 million).

SCENTRE GROUP

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))	1,493.0	1,448.9
Payments in the course of operations (including GST)	(510.6)	(464.0)
Dividends/distributions received from equity accounted entities	51.8	49.0
Net operating cash flows retained by equity accounted entities	10.1	10.8
Income and withholding taxes paid	(26.7)	(38.4)
GST paid	(119.0)	(111.5)
Payments of financing costs (excluding interest capitalised)	(271.6)	(243.7)
Interest received	2.1	1.5
Net cash flows from operating activities - proportionate ⁽ⁱ⁾	629.1	652.6
Less: net operating cash flows retained by equity accounted entities	(10.1)	(10.8)
Net cash flows from operating activities	619.0	641.8
Cash flows from investing activities		
Capital expenditure	(185.1)	(335.8)
Proceeds from the sale of assets	2,098.1	90.6
Payments relating to the sale of assets	(45.7)	-
Acquisition of listed securities	-	(15.8)
Net outflows for investments in equity accounted entities	(103.0)	(89.1)
Purchase of plant and equipment	(10.3)	(9.8)
Financing costs capitalised to qualifying development projects and construction in progress	(13.1)	(20.0)
Tax on capital transactions	(2.8)	-
Net cash flows from/(used in) investing activities	1,738.1	(379.9)
Cash flows from financing activities		
Buy-back of securities and associated costs	-	(30.1)
Net proceeds from/(repayment of) interest bearing liabilities	(1,276.6)	378.2
Dividends/distributions paid	(587.7)	(577.4)
Distributions paid by controlled entities to external non controlling interests	(5.1)	(6.1)
Net cash flows used in financing activities	(1,869.4)	(235.4)
Net increase in cash and cash equivalents held	487.7	26.5
Add opening cash and cash equivalents brought forward	206.1	174.0
Effects of exchange rate changes on opening cash and cash equivalents brought forward	(0.2)	0.3
Cash and cash equivalents at the end of the period ⁽ⁱⁱ⁾	693.6	200.8

⁽ⁱ⁾ Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

⁽ⁱⁱ⁾ Cash and cash equivalents comprise cash of \$693.6 million (30 June 2018: \$200.8 million) net of bank overdraft of nil (30 June 2018: nil).

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

1 Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the half-year ended 30 June 2019 was approved in accordance with a resolution of the Board of Directors of the Parent Company.

The nature of the operations and principal activities of the Group 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 Group as the annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of Scentre Group 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, financial assets at fair value through profit and loss and other financial liabilities. The carrying values 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 financial report is presented in Australian dollars.

(b) New accounting standards and interpretations

The Group 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 and interpretation has no material impact on the financial results of the Group.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group 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 Group) 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.

(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
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

3 Segment reporting

The Group's operational segments comprise the property investment and property management and construction segments.

(a) Property investments

Property investments segment includes net property income from shopping centres. A geographic analysis of net property investment income is also provided.

(b) Property management and construction

Property management and construction segment includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. 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 Group's liabilities are managed on a consolidated basis rather than by operational segments.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Group 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 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. 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.

(i) Operating segment information

	Property investment \$million	Property management and construction \$million	30 Jun 19 \$million	Property investment \$million	Property management and construction \$million	30 Jun 18 \$million
Revenue						
Property revenue	1,194.9	-	1,194.9	1,151.7	-	1,151.7
Property development and construction revenue	-	185.0	185.0	-	206.2	206.2
Property management income	-	28.1	28.1	-	28.2	28.2
	1,194.9	213.1	1,408.0	1,151.7	234.4	1,386.1
Expenses						
Property expenses, outgoings and other costs	(264.2)	-	(264.2)	(259.5)	-	(259.5)
Property development and construction costs	-	(143.6)	(143.6)	-	(164.0)	(164.0)
Property management costs	-	(4.7)	(4.7)	-	(5.0)	(5.0)
	(264.2)	(148.3)	(412.5)	(259.5)	(169.0)	(428.5)
Segment income and expenses	930.7	64.8	995.5	892.2	65.4	957.6
	Property investment \$million	Property management and construction \$million	30 Jun 19 \$million	Property investment \$million	Property management and construction \$million	31 Dec 18 \$million
Shopping centre investments	36,568.0	-	36,568.0	38,351.0	-	38,351.0
Development projects and construction in progress	893.7	-	893.7	750.1	-	750.1
Segment assets ⁽ⁱ⁾	37,461.7	-	37,461.7	39,101.1	-	39,101.1

⁽ⁱ⁾ Includes equity accounted segment assets of \$3,137.0 million (31 December 2018: \$3,056.3 million).

(ii) Geographic information - Total revenue

	Australia \$million	New Zealand \$million	30 Jun 19 \$million	Australia \$million	New Zealand \$million	30 Jun 18 \$million
Property revenue ⁽ⁱⁱ⁾	1,144.4	50.5	1,194.9	1,101.9	49.8	1,151.7
Property development and construction revenue	76.2	108.8	185.0	163.3	42.9	206.2
Property management income	25.9	2.2	28.1	26.0	2.2	28.2
Total revenue	1,246.5	161.5	1,408.0	1,291.2	94.9	1,386.1

⁽ⁱⁱ⁾ Includes recoveries of outgoings from lessees of \$147.0 million (30 June 2018: \$141.9 million).

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NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

3 Segment reporting (continued)

(iii) Geographic information - Net property income

	Australia \$million	New Zealand \$million	30 Jun 19 \$million	Australia \$million	New Zealand \$million	30 Jun 18 \$million
Shopping centre base rent and other property income	1,184.2	51.2	1,235.4	1,133.2	50.5	1,183.7
Amortisation of tenant allowances	(39.8)	(0.7)	(40.5)	(31.3)	(0.7)	(32.0)
Property revenue	1,144.4	50.5	1,194.9	1,101.9	49.8	1,151.7
Property expenses, outgoings and other costs	(252.3)	(11.9)	(264.2)	(249.4)	(10.1)	(259.5)
Net property income	892.1	38.6	930.7	852.5	39.7	892.2

(iv) Geographic information - Non current assets

	Australia \$million	New Zealand \$million	30 Jun 19 \$million	Australia \$million	New Zealand \$million	31 Dec 18 \$million
Non current assets	35,990.7	1,460.7	37,451.4	37,739.0	1,347.5	39,086.5
Group non current assets			1,266.8			1,015.9
Total non current assets			38,718.2			40,102.4
Additions to segment non current assets during the period			303.8			1,705.8

(v) Reconciliation of segment information

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

	Consolidated \$million	Equity Accounted \$million	30 Jun 19 \$million	Consolidated \$million	Equity Accounted \$million	30 Jun 18 \$million
Revenue						
Property revenue	1,089.8	105.1	1,194.9	1,047.8	103.9	1,151.7
Property development and construction revenue	185.0	-	185.0	206.2	-	206.2
Property management income	28.1	-	28.1	28.2	-	28.2
	1,302.9	105.1	1,408.0	1,282.2	103.9	1,386.1
Expenses						
Property expenses, outgoings and other costs	(238.7)	(25.5)	(264.2)	(235.8)	(23.7)	(259.5)
Property development and construction costs	(143.6)	-	(143.6)	(164.0)	-	(164.0)
Property management costs	(4.7)	-	(4.7)	(5.0)	-	(5.0)
	(387.0)	(25.5)	(412.5)	(404.8)	(23.7)	(428.5)
Segment income and expenses	915.9	79.6	995.5	877.4	80.2	957.6
Overheads			(42.5)			(42.1)
Interest income			2.2			1.6
Currency gain/(loss)			2.6			(12.6)
Financing costs			(339.7)			(412.8)
Gain in respect of capital transactions			134.7			40.8
Property revaluations			24.9			966.1
Tax expense - current			(32.0)			(28.5)
Tax expense - deferred			(1.7)			(2.4)
External non controlling interests			(4.0)			(5.1)
Net profit attributable to members of the Group ⁽ⁱ⁾			740.0			1,462.6

⁽ⁱ⁾ Net profit attributable to members of the Group was \$740.0 million (30 June 2018: \$1,462.6 million). Net profit after tax for the period which includes profit attributable to external non controlling interests of \$4.0 million (30 June 2018: \$5.1 million) is \$744.0 million (30 June 2018: \$1,467.7 million).

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

3 Segment reporting (continued)

(v) Reconciliation of segment information (continued)

	Consolidated \$million	Equity Accounted \$million	30 Jun 19 \$million	Consolidated \$million	Equity Accounted \$million	31 Dec 18 \$million
Shopping centre investments	33,762.5	2,805.5	36,568.0	35,522.6	2,828.4	38,351.0
Development projects and construction in progress	562.2	331.5	893.7	522.2	227.9	750.1
Segment assets	34,324.7	3,137.0	37,461.7	36,044.8	3,056.3	39,101.1
Cash and cash equivalents	693.6	7.9	701.5	206.1	7.8	213.9
Deferred tax assets	51.2	-	51.2	54.8	-	54.8
Receivables on currency derivatives	928.0	-	928.0	920.2	-	920.2
Other assets	905.2	7.9	913.1	682.9	9.4	692.3
Total assets	36,902.7	3,152.8	40,055.5	37,908.8	3,073.5	40,982.3
Interest bearing liabilities						
- Current	1,848.0	-	1,848.0	1,945.0	-	1,945.0
- Non current	11,482.1	-	11,482.1	12,657.7	-	12,657.7
Lease liabilities	130.0	0.4	130.4	40.4	0.4	40.8
Other financial liabilities	696.5	-	696.5	696.9	-	696.9
Deferred tax liabilities	105.8	71.0	176.8	107.7	69.3	177.0
Payables on currency derivatives	56.9	-	56.9	55.7	-	55.7
Other liabilities	1,609.6	30.9	1,640.5	1,505.8	37.6	1,543.4
Total liabilities	15,928.9	102.3	16,031.2	17,009.2	107.3	17,116.5
Net assets	20,973.8	3,050.5	24,024.3	20,899.6	2,966.2	23,865.8

	30 Jun 19 \$million	31 Dec 18 \$million
4 Investment properties		
Shopping centre investments	33,762.5	35,522.6
Development projects and construction in progress	562.2	522.2
Total investment properties ^{(i) (ii)}	34,324.7	36,044.8

⁽ⁱ⁾ The fair value of investment properties at the end of the period of \$34,324.7 million (31 December 2018: \$36,044.8 million) comprises investment properties at market value of \$34,283.9 million (31 December 2018: \$36,004.4 million) and ground leases of \$40.8 million (31 December 2018: \$40.4 million).

⁽ⁱⁱ⁾ In June 2019, the Sydney Office Towers were sold to Blackstone and 50% interest in Westfield Burwood was sold to the Perron Group and derecognised from the Group's balance sheet. The sale of the Sydney Office Towers was effected by way of granting a 299-year leasehold interest to Blackstone over the office components located at 100 Market Street, and 77 and 85 Castlereagh Street.

Investment properties are carried at the Directors' assessment of fair value. Investment properties include both shopping centre investments and development projects and construction in progress.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Council.

The determination of a property valuation is judgemental. The key assumptions in the valuation are the estimated capitalisation rate and net operating income. Movements in capitalisation rate for each property would result in changes to the fair value. For example, an increase in capitalisation rate would result in a decrease in the fair value of the properties while a decrease in capitalisation rate would result in an increase in the fair value of the properties.

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

	30 Jun 19 \$million	31 Dec 18 \$million
5 Details of shopping centre investments		
Consolidated Australian shopping centres	33,762.5	35,522.6
Total consolidated shopping centres	33,762.5	35,522.6
Equity accounted Australian shopping centres	1,607.0	1,617.5
Equity accounted New Zealand shopping centres	1,198.5	1,210.9
Total equity accounted shopping centres	2,805.5	2,828.4
	36,568.0	38,351.0

	30 Jun 19 \$million	30 Jun 18 \$million
6 Details of equity accounted investments		
(a) Share of equity accounted entities' net profit and comprehensive income		
Share of after tax profits of equity accounted entities	37.0	156.4
Other comprehensive income ⁽ⁱ⁾	1.2	3.1
Share of total comprehensive income of equity accounted entities	38.2	159.5

⁽ⁱ⁾ Relates to the net exchange difference on translation of equity accounted foreign operations.

(b) Share of equity accounted entities' assets and liabilities

The Group's equity accounted investments of \$3,050.5 million (31 December 2018: \$2,966.2 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of \$2,127.1 million (31 December 2018: \$2,165.0 million) and interest bearing loans of \$923.4 million (31 December 2018: \$801.2 million). Inter-entity interest charges on the loans amounted to \$14.6 million (30 June 2018: \$11.1 million).

(c) Equity accounted entities economic interest

Name of investments	Type of equity	Balance date	Economic interest	
			30 Jun 19	31 Dec 18
Australian investments ⁽ⁱ⁾				
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	50.0%	50.0%
Southland ⁽ⁱⁱ⁾	Trust units	30 Jun	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱ⁾	Trust units	30 Jun	50.0%	50.0%
New Zealand investments ^{(i) (iii)}				
Albany	Shares	31 Dec	51.0%	51.0%
Manukau	Shares	31 Dec	51.0%	51.0%
Newmarket	Shares	31 Dec	51.0%	51.0%
Riccarton	Shares	31 Dec	51.0%	51.0%
St Lukes	Shares	31 Dec	51.0%	51.0%

⁽ⁱ⁾ All equity accounted property partnerships, trusts and companies operate solely as retail property investors.

⁽ⁱⁱ⁾ Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been made out so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

⁽ⁱⁱⁱ⁾ Under the Shareholders' Agreement, the Group and GIC, Singapore's sovereign wealth fund, each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group's 51% interest in these investments is accounted for using the equity accounted method.

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

	Note	30 Jun 19 \$million	30 Jun 18 \$million
7 Taxation			
Current tax expense - underlying operations		(28.5)	(23.3)
Deferred tax expense		(0.2)	(0.8)
		(28.7)	(24.1)

8 Significant items

The following significant items are relevant in explaining the financial performance of the business:

Property revaluations	3(v)	24.9	966.1
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	3(v)	2.6	(12.6)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	12	(55.7)	(123.7)
Amortisation of modification gain on refinanced borrowing facilities	12	(1.9)	-
Net fair value gain/(loss) on other financial liabilities	12	0.4	(31.6)
Gain in respect of capital transactions	13	134.7	40.8
Deferred tax expense	3(v)	(1.7)	(2.4)

9 Dividends/distributions

(a) Interim dividends/distributions for the period

Dividend/distribution in respect of the 6 months to 30 June 2019

Parent Company: nil (30 June 2018: nil)	-	-
SGT1: 5.70 cents per unit (30 June 2018: 3.34 cents per unit)	302.4	177.2
SGT2: 5.60 cents per unit (30 June 2018: 7.74 cents per unit)	297.0	410.5
SGT3: nil (30 June 2018: nil)	-	-
Scentre Group 11.30 cents per stapled security (30 June 2018: 11.08 cents)	599.4	587.7

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

(b) Dividends/distributions paid

Dividend/distribution in respect of the 6 months to 31 December 2018

Parent Company: 2.96 cents per share (31 December 2017: 2.35 cents per share) ⁽ⁱ⁾	157.0	124.8
SGT1: 3.40 cents per unit (31 December 2017: 2.60 cents per unit)	180.3	138.1
SGT2: 4.60 cents per unit (31 December 2017: 5.92 cents per unit)	244.0	314.5
SGT3: 0.12 cents per unit (31 December 2017: nil) ⁽ⁱ⁾	6.4	-
Scentre Group 11.08 cents per stapled security (31 December 2017: 10.87 cents)	587.7	577.4

⁽ⁱ⁾ Dividends paid by the Parent Company and distributions paid by SGT3 were franked at the corporate tax rate of 30%.

	30 Jun 19 \$	31 Dec 18 \$
10 Net tangible asset backing		
Net tangible asset backing per security	4.49	4.46

Net tangible asset backing per security is calculated by dividing total equity attributable to stapled security holders of the Group by the number of securities on issue. The number of securities used in the calculation of the consolidated net tangible asset backing is 5,304,295,769 (31 December 2018: 5,304,295,769).

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

	30 Jun 19 cents	30 Jun 18 cents
11 Earnings per security		
(a) Summary of earnings per security		
Basic earnings per stapled security attributable to members of Scentre Group	13.95	27.54
Diluted earnings per stapled security attributable to members of Scentre Group	13.91	27.46

(b) Income and security data

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

	\$million	\$million
Earnings used in calculating basic earnings per stapled security ^{(i) (ii)}	740.0	1,462.6
Adjustment to earnings on options which are considered dilutive	-	-
Earnings used in calculating diluted earnings per stapled security	740.0	1,462.6

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

⁽ⁱⁱ⁾ Comprises net profit attributable to SGL of \$35.1 million (30 June 2018: \$104.7 million) and net profit attributable to members of SGT1, SGT2 and SGT3 of \$704.9 million (30 June 2018: \$1,357.9 million).

The following reflects the security data used in the calculations of basic and diluted earnings per stapled security:

	Number of securities	Number of securities
Weighted average number of ordinary securities used in calculating basic earnings per stapled security	5,304,295,769	5,310,037,890
Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive	16,439,487	16,084,471
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per stapled security	5,320,735,256	5,326,122,361

(c) Conversions, calls, subscription, issues or buy-back after 30 June 2019

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

	30 Jun 19 \$million	30 Jun 18 \$million
12 Financing costs		
Gross financing costs (excluding net fair value loss on interest rate hedges that do not qualify for hedge accounting)	(277.8)	(258.9)
Financing costs capitalised to qualifying development projects and construction in progress	13.1	20.0
Interest expense on other financial liabilities	(16.7)	(17.5)
Lease liabilities interest expense	(1.1)	(1.1)
Financing costs	(282.5)	(257.5)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	(55.7)	(123.7)
Net fair value gain/(loss) on other financial liabilities	0.4	(31.6)
Amortisation of modification gain on refinanced borrowing facilities	(1.9)	-
	(339.7)	(412.8)

13 Gain in respect of capital transactions

Asset sales and capital costs		
- proceeds from asset sales	2,098.1	90.6
- less: carrying value of assets sold and other capital costs	(1,963.4)	(49.8)
Gain in respect of capital transactions	134.7	40.8

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

	30 Jun 19 \$million	31 Dec 18 \$million
14 Interest bearing liabilities		
Current		
Unsecured		
Commercial paper and uncommitted facilities		
- A\$ denominated	629.4	729.9
Notes payable		
- US\$ denominated	1,068.4	1,064.7
- A\$ denominated	150.2	150.4
Lease liabilities - right-of-use asset	9.3	-
Lease liabilities - ground leases	0.5	0.5
	1,857.8	1,945.5
Non current		
Unsecured		
Bank loans		
- A\$ denominated	310.0	2,350.0
- NZ\$ denominated	831.6	771.0
Notes payable		
- € denominated	5,215.6	4,430.8
- US\$ denominated	2,991.5	2,981.3
- £ denominated	1,446.9	1,448.2
- A\$ denominated	430.5	430.6
Lease liabilities - right-of-use asset	79.9	-
Lease liabilities - ground leases	40.3	39.9
Secured		
Bank loans and mortgages		
- A\$ denominated	256.0	245.8
	11,602.3	12,697.6
Total interest bearing liabilities	13,460.1	14,643.1

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt.

	30 Jun 19 \$million	31 Dec 18 \$million
(a) Summary of financing facilities		
Committed financing facilities available to the Group:		
Total financing facilities at the end of the period	16,983.1	16,556.4
Total interest bearing liabilities	(13,460.1)	(14,643.1)
Total bank guarantees	(58.1)	(59.1)
Available financing facilities	3,464.9	1,854.2
Cash	693.6	206.1
Financing resources available at the end of the period	4,158.5	2,060.3

These facilities comprise fixed and floating rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked notes liability of \$696.5 million (31 December 2018: \$696.9 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

14 Interest bearing liabilities (continued)

		Committed financing facilities 30 Jun 19 \$million	Total interest bearing liabilities 30 Jun 19 \$million	Committed financing facilities 31 Dec 18 \$million	Total interest bearing liabilities 31 Dec 18 \$million
	Maturity Date				
(b) Maturity profile of financing facilities and interest bearing liabilities					
Year ending December 2019 ⁽ⁱ⁾		1,223.6	1,853.0	1,215.7	1,945.5
Year ending December 2020		1,131.6	981.6	1,887.2	1,267.9
Year ending December 2021		2,422.3	1,590.4	2,410.3	1,968.2
Year ending December 2022		2,015.3	847.7	2,005.1	1,181.0
Year ending December 2023		3,114.3	2,201.5	2,813.8	2,556.2
Year ending December 2024		2,168.1	1,078.0	2,159.8	1,659.8
Year ending December 2025		1,799.2	1,799.2	1,779.7	1,779.7
Year ending December 2026		739.5	739.5	724.7	724.7
Year ending December 2027		712.9	712.9	710.4	710.4
Year ending December 2028		810.6	810.6	814.5	814.5
Due thereafter		845.7	845.7	35.2	35.2
		16,983.1	13,460.1	16,556.4	14,643.1
Total financing facilities and interest bearing liabilities are comprised of:					
Unsecured notes payable - € ⁽ⁱⁱ⁾	Jul 20 to Mar 29	5,215.6	5,215.6	4,430.8	4,430.8
Unsecured notes payable - US\$ ⁽ⁱⁱ⁾	Nov 19 to Mar 27	4,059.9	4,059.9	4,046.0	4,046.0
Unsecured notes payable - £ ⁽ⁱⁱ⁾	Apr 22 to Jul 26	1,446.9	1,446.9	1,448.2	1,448.2
Unsecured notes payable - A\$	Oct 19 to Jul 22	580.7	580.7	581.0	581.0
Unsecured bank loan facilities	Mar 20 to Sep 25	5,250.0	1,141.6	5,750.0	3,121.0
Unsecured commercial paper and uncommitted facility ⁽ⁱ⁾		-	629.4	-	729.9
Secured bank loans and mortgages	Feb 23	300.0	256.0	260.0	245.8
Lease liabilities - right-of-use asset ⁽ⁱⁱⁱ⁾		89.2	89.2	-	-
Lease liabilities - ground leases		40.8	40.8	40.4	40.4
		16,983.1	13,460.1	16,556.4	14,643.1

⁽ⁱ⁾ Drawings on the Group's commercial paper program and uncommitted facilities are in addition to the Group's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non current unsecured bank loan facilities.

⁽ⁱⁱ⁾ The €, US\$ and £ denominated notes payables are economically hedged using cross currency swaps with the same principal values to convert into A\$ payables.

⁽ⁱⁱⁱ⁾ The Group recognised a lease liability and right-of-use asset in respect of its lease of office spaces in the Sydney Office Towers. On 27 June 2019, the Sydney Office Towers were sold to Blackstone and derecognised from the Group's balance sheet. Prior to the sale, these assets were included as part of investment properties.

The Group consolidates Carindale Property Trust and the borrowings in this trust are secured by a mortgage over the trust's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is \$853.3 million (31 December 2018: \$828.5 million) compared to borrowings of \$256.0 million (31 December 2018: \$245.8 million).

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

15 Contributed Equity

	30 Jun 19 Number of securities	31 Dec 18 Number of securities
(a) Number of securities on issue		
Balance at the beginning of the period	5,304,295,769	5,311,595,241
Buy-back and cancellation of securities	-	(7,299,472)
Balance at the end of the period ⁽ⁱ⁾	5,304,295,769	5,304,295,769

⁽ⁱ⁾ The number of securities on issue as at 30 June 2019 was 5,316,997,206 (31 December 2018: 5,316,997,206). The Scentre Executive Option Plan Trust holds 12,701,437 (31 December 2018: 12,701,437) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

Holders of Scentre Group stapled securities have the right to receive declared dividends from the Parent Company and distributions from SGT1, SGT2 and SGT3 and, in the event of winding up the Parent Company, 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 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 the Parent Company, SGT1, SGT2 and SGT3 (as the case may be).

	30 Jun 19 \$million	31 Dec 18 \$million
(b) Amount of contributed equity attributable to members of Scentre Group		
Balance at the beginning of the period	10,465.1	10,495.2
Buy-back and cancellation of securities and associated costs	-	(30.1)
Balance at the end of the period ⁽ⁱ⁾	10,465.1	10,465.1

⁽ⁱ⁾ Comprises contributed equity attributable to SGL of \$673.3 million (31 December 2018: \$673.3 million) and contributed equity attributable to members of SGT1, SGT2 and SGT3 of \$9,791.8 million (31 December 2018: \$9,791.8 million).

16 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair Value Hierarchy	30 Jun 19 \$million	31 Dec 18 \$million	30 Jun 19 \$million	31 Dec 18 \$million
Consolidated assets					
Cash and cash equivalents		693.6	206.1	693.6	206.1
Trade and other receivables ⁽ⁱ⁾		267.3	279.1	267.3	279.1
Derivative assets ⁽ⁱⁱ⁾	Level 2	1,291.1	1,113.8	1,291.1	1,113.8
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		1,031.7	1,148.0	1,031.7	1,148.0
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	11,859.5	10,656.5	11,303.1	10,506.1
- Floating rate debt	Level 2	2,156.8	4,136.4	2,157.0	4,137.0
Other financial liabilities ⁽ⁱⁱ⁾	Level 3	696.5	696.9	696.5	696.9
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	623.2	399.0	623.2	399.0

⁽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 on page 16.

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2019

16 Fair value of financial assets and liabilities (continued)

Determination of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. 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 Group'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.

	Property linked notes ⁽ⁱ⁾ 30 Jun 19 \$million	Property linked notes ⁽ⁱ⁾ 31 Dec 18 \$million
Level 3 fair value movement		
Balance at the beginning of the period	696.9	673.7
Net fair value loss/(gain) included in financing costs in the income statement	(0.4)	23.2
Balance at the end of the period	696.5	696.9

⁽ⁱ⁾ The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (namely Parramatta, Southland and Hornsby).

Investment properties are considered Level 3.

	30 Jun 19 \$million	31 Dec 18 \$million
17 Capital expenditure commitments		
The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.		
Estimated capital expenditure committed at balance date but not provided for in relation to development projects:		
Due within one year	133.4	223.4
Due between one and five years	-	17.0
	133.4	240.4

18 Contingent liabilities

The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

Performance guarantees	81.7	79.9
	81.7	79.9

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

The Group's obligation in respect of performance guarantees may be called on at anytime dependant upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

SCENTRE GROUP

DIRECTORS' DECLARATION

The Directors of Scentre Group Limited (Company) declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company 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 Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the balance sheet as at 30 June 2019, income statement, 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 Group is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group 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 the Company 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 is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

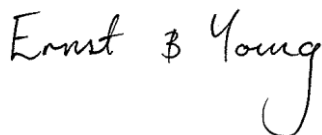
Auditor's Responsibility

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 Group'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 Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

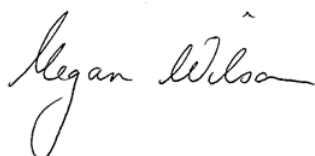
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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



Ernst & Young



Megan Wilson

Partner

Sydney

22 August 2019

SCENTRE GROUP

DIRECTORS' REPORT

The Directors of Scentre Group Limited (Parent Company) submit the following report for the half-year ended 30 June 2019 (Financial Period).

Scentre Group (Group) is a stapled entity which comprises the Parent Company, Scentre Group Trust 1, Scentre Group Trust 2, 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 from the Board 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

The 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 the Group's platform accounts for more than 7% of all retail sales in Australia. An average specialty store in the portfolio generated annual in-store sales of more than \$1.5 million and continues to grow. The Group has curated a major shift towards experience-based offerings, which now represent 42% of the portfolio.

Occupancy 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, the Group released \$2.1 billion of capital from the divestment of the Sydney Office Towers and a 50% interest in Westfield Burwood.

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

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

The Group has a strong financial position with funds from operations (FFO) to debt at 11.3% and interest cover at 3.5 times. The Group has "A" grade credit ratings by S&P, Fitch and Moody's.

2.3 Development activities

The Group has total active developments underway of \$835 million (Group share: \$413 million). The NZ\$790 million (Group share: NZ\$400 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, the Group opened the Bradley Street dining precinct at Westfield Woden, bringing six new restaurants to Canberra as part of a \$21 million (Group share: \$10.5 million) project.

The Group also commenced construction on the \$30 million (Group share: \$15 million) rooftop dining, entertainment and leisure precinct at Westfield Doncaster which is due for completion in mid-2020. At Westfield Carindale, Kmart will be introduced and will be located on the second level of the existing David Jones store. The fitout of the latest format David Jones store is progressing well and is on track to open in October 2019.

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

SCENTRE GROUP

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.4 Financial results

The Group's profit after tax, FFO and distribution are as follows: ⁽ⁱ⁾

	30 Jun 19 \$million	30 Jun 18 \$million
Net property income	930.7	892.2
Net project and management income	64.8	65.4
Overheads	(42.5)	(42.1)
Net financing costs	(265.5)	(238.4)
Interest on other financial liabilities	(16.7)	(17.5)
Mark to market on derivatives and property linked notes	(52.7)	(167.9)
Gain in respect of capital transactions	134.7	40.8
Property revaluations	24.9	966.1
Tax expense	(33.7)	(30.9)
Profit after tax	744.0	1,467.7
Adjusted for:		
- Property revaluations	(24.9)	(966.1)
- Amortisation of tenant allowances	40.5	32.0
- Net fair value loss/(gain) and associated credit risk on currency derivatives that do not qualify for hedge accounting	(2.6)	12.6
- Net fair value loss on interest rate hedges that do not qualify for hedge accounting	55.7	123.7
- Amortisation of modification gain on refinanced borrowing facilities	1.9	-
- Net fair value loss/(gain) on other financial liabilities	(0.4)	31.6
- Gain in respect of capital transactions	(134.7)	(40.8)
- Deferred tax expense	1.7	2.4
- FFO attributable to external non controlling interests ⁽ⁱⁱ⁾	(5.0)	(5.9)
FFO	676.2	657.2
Less: amount retained	(76.8)	(69.5)
Dividend/distributions	599.4	587.7

⁽ⁱ⁾ The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

⁽ⁱⁱ⁾ FFO attributable to external non controlling interests of \$5.0 million (30 June 2018: \$5.9 million) consists of profit after tax attributable to external non controlling interests of \$4.0 million (30 June 2018: \$5.1 million) adjusted for non-FFO adjustments of \$1.0 million (30 June 2018: \$0.8 million).

	30 Jun 19 cents	30 Jun 18 cents
FFO per security ⁽ⁱⁱⁱ⁾	12.75	12.38
Dividend/distribution per security ^(iv)	11.30	11.08

⁽ⁱⁱⁱ⁾ In calculating the FFO per stapled security 5,304,295,769 (30 June 2018: 5,310,037,890) weighted average number of securities was used.

^(iv) Comprising a distribution of 5.70 cents per unit (30 June 2018: 3.34 cents unit) from Scentre Group Trust 1 and 5.60 cents per unit (30 June 2018: 7.74 cents unit) from Scentre Group Trust 2.

A key measure of the financial performance of the Group is FFO. FFO is a widely recognised measure of the performance of real estate investment groups by the property industry and is a useful measure of operating performance.

The Group's measure of FFO is based upon the National Association of Real Estate Investment Trusts' (NAREIT, a US industry body) definition, adjusted to reflect the Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and International Financial Reporting Standards.

The Group's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains or losses, net fair value gains or losses on interest rate hedges and other financial liabilities, gains or losses on modification of refinanced borrowing facilities, deferred tax, gains or losses from capital transactions and amortisation of tenant allowances, from the reported profit after tax and non controlling interests.

2.5 Outlook

The Group forecasts FFO per security growth of approximately 0.7% including the impact of the transactions announced during the Financial Period (3.0% excluding those transactions). The forecast does not take into account the expected positive earnings impact of the up to \$800 million security buy-back program. The Group reconfirms the distribution forecast for the 12 months ending 31 December 2019 of 22.60 cents per security, an increase of 2%.

SCENTRE GROUP

DIRECTORS' REPORT (continued)

3. Principal activities

The principal activities of the Group for the Financial Period were the ownership, development, design, construction, asset management, leasing and marketing activities with respect to its Australian and New Zealand portfolio of retail properties. There were no significant changes in the nature of those activities during the Financial Period.

4. Rounding

The Parent Company 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. Synchronisation of financial year

Carindale Property Trust is a consolidated entity of the Parent Company, and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Parent Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Parent Company.

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.



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 Scentre Group Limited

As lead auditor for the review of the financial report of Scentre Group Limited 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 Limited and the entities it controlled during the Financial Period.

Ernst & Young

22 August 2019

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Megan Wilson

Partner

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

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

New Zealand Office

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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

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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
Depositary: 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

SCENTRE GROUP

ADDITIONAL INFORMATION

as at 30 June 2019

Australian Capital Gains Tax Considerations

A Scentre Group stapled security comprises four separate assets for capital gains tax purposes. For capital gains tax purposes securityholders need to apportion the cost of each stapled security and the proceeds on sale of each stapled security over the separate assets that make up the stapled security. This apportionment should be done on a reasonable basis. One possible method of apportionment is on the basis of the relative Net Tangible Assets (NTAs) of the individual entities.

These are set out by entity in the table below.

Relative Net Tangible Assets (NTA) of entities in Scentre Group	30 Jun 19	31 Dec 18
Scentre Group Limited	3.23%	3.74%
Scentre Group Trust 1	39.36%	38.93%
Scentre Group Trust 2	57.35%	57.24%
Scentre Group Trust 3	0.06%	0.09%

SCENTRE GROUP
PROPERTY PORTFOLIO
as at 30 June 2019

APPENDIX 1

	Carrying Amount 30 Jun 19 \$million	Retail Capitalisation Rates 30 Jun 19 %	Carrying Amount 31 Dec 18 \$million	Retail Capitalisation Rates 31 Dec 18 %
Total Annual Sales > \$1 billion	12,562.7	4.12%	13,777.7	4.12%
Wholly-owned: Bondi Junction, Chermerside, Fountain Gate and Sydney ⁽ⁱ⁾				
Total Annual Sales > \$500 million < \$1 billion	17,575.2	4.84%	17,575.0	4.85%
Wholly-owned: Belconnen, Carousel, Chatswood, Garden City and Hornsby				
Jointly-owned (50%): Carindale ⁽ⁱⁱ⁾ , Doncaster, Eastgardens, Hurstville, Knox, Liverpool, Marion, Miranda, North Lakes, Parramatta, Penrith, Southland, Tea Tree Plaza and Warringah Mall				
Total Annual Sales < \$500 million	5,231.6	5.40%	5,787.4	5.39%
Wholly-owned: Kotara, Stirling and Tuggerah				
Jointly-owned (50%): Airport West, Burwood ⁽ⁱⁱⁱ⁾ , Coomera, Geelong, Helensvale, Mt Druitt, Plenty Valley, West Lakes, Whitford City and Woden				
Total Australian portfolio	35,369.5	4.68% ^(v)	37,140.1	4.71% ^(v)
New Zealand	NZ\$1,252.4	6.34%	NZ\$1,268.3	6.24%
Jointly-owned (51%): Albany, Manukau, Newmarket ^(iv) , Riccarton and St Lukes				
Total New Zealand portfolio	NZ\$1,252.4	6.34% ^(v)	NZ\$1,268.3	6.24% ^(v)
Exchange rate	1.0450		1.0474	
Total New Zealand portfolio in A\$	1,198.5		1,210.9	
Total portfolio	36,568.0	4.74% ^(v)	38,351.0	4.76% ^(v)

Ownership interest shown above applies as at 30 June 2019 and 31 December 2018, unless otherwise stated.

⁽ⁱ⁾ As at 30 June 2019, Sydney comprises Sydney Central Plaza and the Sydney City retail complex. The Group sold its interest in the Sydney Office Towers on 27 June 2019. As at 31 December 2018, Sydney comprised Sydney Central Plaza, the Sydney City retail complex and office towers.

⁽ⁱⁱ⁾ Carindale Property Trust (CDP) has a 50% interest in this shopping centre. As at 30 June 2019, the Group has a 59.6% interest in CDP (31 December 2018: 59.6%).

⁽ⁱⁱⁱ⁾ In June 2019, the Group sold 50% of its interest in Westfield Burwood. The Group had 100% interest in this centre as at 31 December 2018.

^(iv) Property currently under redevelopment.

^(v) Weighted average capitalisation rate including non-retail assets.