

Scentre Group ¹ : Appendix 4D For the half-year ended 30 June 2020

(previous corresponding period being the half-year ended 30 June 2019)

Results for Announcement to the Market:

			2020	2019
Revenue (\$million)	down	16.0%	1,094.1	1,302.9
Expected credit charge relating to COVID-19 (\$million)			(232.1)	-
Unrealised movements in property valuation (non-cash) (\$million)			(4,079.3)	24.9
Profit/(loss) after tax attributable to members of Scentre Group (\$million)	down	588.3%	(3,613.3)	740.0

			2020	2019
Funds from operations (FFO) attributable to members of Scentre Group (\$million)	down	46.0%	361.9	670.5
FFO per security attributable to members of Scentre Group (cents per stapled security) ⁽ⁱ⁾	down	44.9%	6.96	12.64

⁽ⁱ⁾ In calculating the FFO per stapled security 5,195,992,463 (30 June 2019: 5,304,295,769) weighted average securities was used.

Dividend/Distributions for Scentre Group

As announced to the Australian Securities Exchange (ASX) on 11 May 2020, Scentre Group has determined not to pay an interim distribution for the half-year ended 30 June 2020.

Additional information

Commentary on the results is contained in the announcement and results presentation released to the 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 2020

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SCENTRE GROUP
INCOME STATEMENT

For the half-year ended 30 June 2020

	Note	30 Jun 20 \$million	30 Jun 19 \$million
Revenue			
Property revenue		997.1	1,089.8
Property development and construction revenue		71.4	185.0
Property management income		25.6	28.1
		1,094.1	1,302.9
Expenses			
Property expenses, outgoing and other costs		(221.8)	(238.7)
Property development and construction costs		(69.8)	(143.6)
Property management costs		(4.7)	(4.7)
Overheads		(41.9)	(42.5)
		(338.2)	(429.5)
Share of after tax profits/(loss) of equity accounted entities			
Property revenue		113.0	105.1
Property expenses, outgoing and other costs		(27.6)	(25.5)
Net interest income		-	0.1
Expected credit charge relating to COVID-19		(23.5)	-
Property revaluations		(422.0)	(37.7)
Tax expense		(4.1)	(5.0)
	7(a)	(364.2)	37.0
Interest income		1.9	2.1
Currency gain		10.6	2.6
Financing costs	13	(195.2)	(339.7)
Gain in respect of capital transactions	14	-	134.7
Expected credit charge relating to COVID-19	4(b)	(208.6)	-
Property revaluations		(3,657.3)	62.6
Profit/(loss) before tax		(3,656.9)	772.7
Tax expense	8	(0.5)	(28.7)
Profit/(loss) after tax for the period		(3,657.4)	744.0
Profit/(loss) after tax for the period attributable to:			
- Members of Scentre Group		(3,613.3)	740.0
- External non controlling interests		(44.1)	4.0
Profit/(loss) after tax for the period		(3,657.4)	744.0
Earnings/(loss) per stapled security attributable to members of Scentre Group			
		cents	cents
- Basic earnings/(loss) per stapled security	12(a)	(69.54)	13.95
- Diluted earnings/(loss) per stapled security	12(a)	(69.54)	13.91

SCENTRE GROUP
STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2020

	30 Jun 20	30 Jun 19
	\$million	\$million
Profit/(loss) after tax for the period	(3,657.4)	744.0
Other comprehensive income/(loss)		
<i>Movement in foreign currency translation reserve ⁽ⁱ⁾</i>		
- Realised and unrealised differences on the translation of investment in foreign operations	(11.2)	1.0
Total comprehensive income/(loss) for the period	(3,668.6)	745.0
Total comprehensive income/(loss) attributable to:		
- Members of Scentre Group ⁽ⁱⁱ⁾	(3,624.5)	741.0
- External non controlling interests	(44.1)	4.0
Total comprehensive income/(loss) for the period	(3,668.6)	745.0

⁽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/(loss) attributable to members of Scentre Group comprises \$0.3 million loss (30 June 2019: \$35.0 million income) attributable to Scentre Group Limited (SGL) members and \$3,624.2 million loss (30 June 2019: \$706.0 million income) attributable to SGT1, SGT2 and SGT3 members.

Total comprehensive loss attributable to members of SGT1, SGT2 and SGT3 consists of loss after tax for the period of \$3,614.2 million (30 June 2019: income of \$704.9 million) and realised and unrealised differences on the translation of investment in foreign operations of \$10.0 million (30 June 2019: income of \$1.1 million).

SCENTRE GROUP
BALANCE SHEET

As at 30 June 2020

	Note	30 Jun 20 \$million	31 Dec 19 \$million
Current assets			
Cash and cash equivalents		927.2	253.0
Trade debtors	4	156.1	40.0
Receivables	4	216.1	228.5
Derivative assets		190.9	94.6
Other current assets		42.9	62.9
Total current assets		1,533.2	679.0
Non current assets			
Trade debtors	4	6.9	-
Investment properties	5	31,308.6	34,855.3
Equity accounted investments	7(b)	2,762.5	3,184.6
Derivative assets		1,184.4	907.2
Plant and equipment		47.2	46.7
Deferred tax assets		32.4	32.7
Right-of-use asset		88.2	82.4
Other non current assets		76.9	95.5
Total non current assets		35,507.1	39,204.4
Total assets		37,040.3	39,883.4
Current liabilities			
Trade creditors		234.6	307.6
Payables and other creditors		660.5	671.9
Interest bearing liabilities	15	2,028.6	1,713.6
Tax payable		0.1	8.9
Lease liabilities		11.6	9.7
Derivative liabilities		40.8	15.8
Total current liabilities		2,976.2	2,727.5
Non current liabilities			
Payables and other creditors		32.0	31.7
Interest bearing liabilities	15	13,137.6	12,106.1
Other financial liabilities		619.2	689.0
Deferred tax liabilities		96.5	104.1
Lease liabilities		125.4	120.1
Derivative liabilities		933.6	557.0
Total non current liabilities		14,944.3	13,608.0
Total liabilities		17,920.5	16,335.5
Net assets		19,119.8	23,547.9
Equity attributable to members of Scentre Group			
Contributed equity	16(b)	9,989.2	10,164.0
Reserves		113.4	118.3
Retained profits		8,852.0	13,056.3
Total equity attributable to members of Scentre Group		18,954.6	23,338.6
Equity attributable to external non controlling interests			
Contributed equity		70.3	70.3
Retained profits		94.9	139.0
Total equity attributable to external non controlling interests		165.2	209.3
Total equity		19,119.8	23,547.9

SCENTRE GROUP
STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2020

	Contributed		Retained	30 Jun 20	Contributed		Retained	30 Jun 19
	Equity	Reserves	Profits	Total	Equity	Reserves	Profits	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Changes in equity attributable to members of Scentre Group								
Balance at the beginning of the period	10,164.0	118.3	13,056.3	23,338.6	10,465.1	108.7	13,063.9	23,637.7
- Profit/(loss) after tax for the period ⁽ⁱ⁾	-	-	(3,613.3)	(3,613.3)	-	-	740.0	740.0
- Other comprehensive income/(loss) ^{(i) (ii)}	-	(11.2)	-	(11.2)	-	1.0	-	1.0
Transactions with owners in their capacity as owners								
- Movement in contributed equity ⁽ⁱⁱⁱ⁾	(174.8)	-	-	(174.8)	-	-	-	-
- Movement in employee share plan benefits reserve	-	6.3	-	6.3	-	6.3	-	6.3
- Dividends/distributions paid or provided for	-	-	(591.0)	(591.0)	-	-	(587.7)	(587.7)
Closing balance of equity attributable to members of Scentre Group	9,989.2	113.4	8,852.0	18,954.6	10,465.1	116.0	13,216.2	23,797.3
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	70.3	-	139.0	209.3	75.9	-	152.2	228.1
- Profit/(loss) after tax for the period attributable to external non controlling interests ⁽ⁱ⁾	-	-	(44.1)	(44.1)	-	-	4.0	4.0
- Distribution paid or provided for	-	-	-	-	-	-	(5.1)	(5.1)
Closing balance of equity attributable to external non controlling interests	70.3	-	94.9	165.2	75.9	-	151.1	227.0
Total equity	10,059.5	113.4	8,946.9	19,119.8	10,541.0	116.0	13,367.3	24,024.3

⁽ⁱ⁾ Total comprehensive loss for the period amounts to \$3,668.6 million (30 June 2019: income of \$745.0 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations of \$10.0 million (30 June 2019: income of \$1.1 million).

⁽ⁱⁱⁱ⁾ Movement in contributed equity comprises the buy-back and cancellation of securities and associated costs of \$174.9 million (30 June 2019: nil) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of \$0.1 million (30 June 2019: nil).

SCENTRE GROUP**CASH FLOW STATEMENT**

For the half-year ended 30 June 2020

	30 Jun 20 \$million	30 Jun 19 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	969.9	1,493.0
Payments in the course of operations (including GST)	(404.4)	(510.6)
Dividends/distributions received from equity accounted entities	20.0	51.8
Net operating cash flows retained by equity accounted entities ⁽ⁱ⁾	21.2	10.1
Income and withholding taxes paid	(15.8)	(26.7)
GST paid ⁽ⁱ⁾	(75.0)	(121.8)
Payments of financing costs (excluding interest capitalised)	(257.1)	(271.6)
Interest received	1.9	2.1
Net cash inflow from operating activities - proportionate ^{(i) (ii)}	260.7	626.3
Less: net operating cash flows retained by equity accounted entities	(17.9)	(10.1)
Add/(less): GST received/(paid) on outstanding trade debtors - proportionate ⁽ⁱⁱⁱ⁾	(32.0)	2.8
Net cash inflow from operating activities	210.8	619.0
Cash flows from investing activities		
Capital expenditure	(138.6)	(185.1)
Proceeds from the sale of assets	-	2,098.1
Payments relating to the sale of assets	(8.5)	(45.7)
Net outflows for investments in equity accounted entities	(28.2)	(103.0)
Purchase of plant and equipment	(8.5)	(10.3)
Financing costs capitalised to qualifying development projects and construction in progress	(8.4)	(13.1)
Tax paid on the sale of assets	-	(2.8)
Net cash inflow/(outflow) from investing activities	(192.2)	1,738.1
Cash flows from financing activities		
Buy-back of securities and associated costs	(174.9)	-
Net proceeds from/(repayment of) interest bearing liabilities and lease liabilities	1,427.1	(1,276.6)
Dividends/distributions paid	(591.0)	(587.7)
Distributions paid by controlled entities to external non controlling interests	(4.7)	(5.1)
Net cash inflow/(outflow) from financing activities	656.5	(1,869.4)
Net increase in cash and cash equivalents held	675.1	487.7
Add opening cash and cash equivalents brought forward	253.0	206.1
Effects of exchange rate changes on opening cash and cash equivalents brought forward	(0.9)	(0.2)
Cash and cash equivalents at the end of the period ^(iv)	927.2	693.6

⁽ⁱ⁾ Excludes GST received/(paid) on outstanding trade debtors.

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

⁽ⁱⁱⁱ⁾ GST paid on outstanding trade debtors comprise \$28.7 million from consolidated entities (30 June 2019: \$2.8 million received) and \$3.3 million from equity accounted entities (30 June 2019: nil).

^(iv) Cash and cash equivalents comprise cash of \$927.2 million (30 June 2019: \$693.6 million) net of bank overdraft of nil (30 June 2019: nil).

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

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 2020 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 2019.

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 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Significant events and transactions since 31 December 2019

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. The impact on the Group's operations and financial results as a result of the COVID-19 pandemic is discussed in section 2 of the Directors' Report.

(b) Going concern

This half-year financial report has been prepared on a going concern basis. In making this assessment, the Directors have considered:

- the Group's ability to meet its financial obligations over the next twelve months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities; and
- the Group's ability to meet its financial covenants over the next twelve months, assuming various scenarios for the potential impact of the COVID-19 pandemic.

(c) 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.

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 2019 except for the changes required due to amendments to the accounting standards as disclosed in Note 2(d).

This financial report is presented in Australian dollars.

SCENTRE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

2 Basis of preparation of the financial report (continued)

(d) New accounting standards and interpretations

The Group has adopted the following new or amended standards which became applicable on 1 January 2020:

- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The adoption of these amended standards 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 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Group) and interpretations is as follows:

- 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.
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (effective from 1 January 2022)
This amends AASB 101 – Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. This amendment is not expected to have a significant impact on the financial statements on application.

(e) 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

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.

SCENTRE GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

3 Segment reporting (continued)

(i) Operating segment information

	Property investment \$million	Property management and construction \$million	30 Jun 20 \$million	Property investment \$million	Property management and construction \$million	30 Jun 19 \$million
Revenue						
Property revenue	1,110.1	-	1,110.1	1,194.9	-	1,194.9
Property development and construction revenue	-	71.4	71.4	-	185.0	185.0
Property management income	-	25.6	25.6	-	28.1	28.1
	1,110.1	97.0	1,207.1	1,194.9	213.1	1,408.0
Expenses						
Property expenses, outgoings and other costs	(249.4)	-	(249.4)	(264.2)	-	(264.2)
Property development and construction costs	-	(69.8)	(69.8)	-	(143.6)	(143.6)
Property management costs	-	(4.7)	(4.7)	-	(4.7)	(4.7)
Expected credit charge relating to COVID-19	(232.1)	-	(232.1)	-	-	-
	(481.5)	(74.5)	(556.0)	(264.2)	(148.3)	(412.5)
Segment income and expenses	628.6	22.5	651.1	930.7	64.8	995.5

	Property investment \$million	Property management and construction \$million	30 Jun 20 \$million	Property investment \$million	Property management and construction \$million	31 Dec 19 \$million
Shopping centre investments	33,652.0	-	33,652.0	37,542.8	-	37,542.8
Development projects and construction in progress	534.8	-	534.8	629.8	-	629.8
Segment assets ⁽ⁱ⁾	34,186.8	-	34,186.8	38,172.6	-	38,172.6

⁽ⁱ⁾ Includes equity accounted segment assets of \$2,878.2 million (31 December 2019: \$3,317.3 million).

(ii) Geographic information - Total revenue

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	30 Jun 19 \$million
Property revenue ⁽ⁱⁱ⁾	1,050.7	59.4	1,110.1	1,144.4	50.5	1,194.9
Property development and construction revenue	54.3	17.1	71.4	76.2	108.8	185.0
Property management income	23.7	1.9	25.6	25.9	2.2	28.1
Total revenue	1,128.7	78.4	1,207.1	1,246.5	161.5	1,408.0

⁽ⁱⁱ⁾ Includes recoveries of outgoings from lessees of \$130.8 million (30 June 2019: \$147.0 million).

(iii) Geographic information - Net property income

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	30 Jun 19 \$million
Shopping centre base rent and other property income	1,080.0	59.9	1,139.9	1,178.5	51.2	1,229.7
Amortisation of tenant allowances	(34.6)	(1.4)	(36.0)	(39.8)	(0.7)	(40.5)
Straightlining of rent	5.3	0.9	6.2	5.7	-	5.7
Property revenue	1,050.7	59.4	1,110.1	1,144.4	50.5	1,194.9
Property expenses, outgoings and other costs	(235.1)	(14.3)	(249.4)	(252.3)	(11.9)	(264.2)
Expected credit charge relating to COVID-19	(218.3)	(13.8)	(232.1)	-	-	-
Net property income	597.3	31.3	628.6	892.1	38.6	930.7

SCENTRE GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

3 Segment reporting (continued)

(iv) Geographic information - Non current assets

	Australia	New Zealand	30 Jun 20	Australia	New Zealand	31 Dec 19
	\$million	\$million	\$million	\$million	\$million	\$million
Non current assets	32,743.3	1,421.6	34,164.9	36,484.6	1,633.8	38,118.4
Group non current assets			1,342.2			1,086.0
Total non current assets			35,507.1			39,204.4
Additions to segment non current assets during the period			146.5			1,201.6

(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	Equity Accounted	30 Jun 20	Consolidated	Equity Accounted	30 Jun 19
	\$million	\$million	\$million	\$million	\$million	\$million
Revenue						
Property revenue	997.1	113.0	1,110.1	1,089.8	105.1	1,194.9
Property development and construction revenue	71.4	-	71.4	185.0	-	185.0
Property management income	25.6	-	25.6	28.1	-	28.1
	1,094.1	113.0	1,207.1	1,302.9	105.1	1,408.0
Expenses						
Property expenses, outgoings and other costs	(221.8)	(27.6)	(249.4)	(238.7)	(25.5)	(264.2)
Property development and construction costs	(69.8)	-	(69.8)	(143.6)	-	(143.6)
Property management costs	(4.7)	-	(4.7)	(4.7)	-	(4.7)
Expected credit charge relating to COVID-19	(208.6)	(23.5)	(232.1)	-	-	-
	(504.9)	(51.1)	(556.0)	(387.0)	(25.5)	(412.5)
Segment income and expenses	589.2	61.9	651.1	915.9	79.6	995.5
Overheads			(41.9)			(42.5)
Interest income			1.9			2.2
Currency gain			10.6			2.6
Financing costs			(195.2)			(339.7)
Gain in respect of capital transactions			-			134.7
Property revaluations			(4,079.3)			24.9
Tax expense - current			(12.1)			(32.0)
Tax benefit/(expense) - deferred			7.5			(1.7)
External non controlling interests			44.1			(4.0)
Net profit/(loss) attributable to members of the Group ⁽ⁱ⁾			(3,613.3)			740.0

⁽ⁱ⁾ Net loss attributable to members of the Group was \$3,613.3 million (30 June 2019: profit of \$740.0 million). Net loss after tax for the period which include loss attributable to external non controlling interests of \$44.1 million (30 June 2019: profit of \$4.0 million) was \$3,657.4 million (30 June 2019: profit of \$744.0 million).

SCENTRE GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

3 Segment reporting (continued)

(v) Reconciliation of segment information (continued)

	Consolidated \$million	Equity Accounted \$million	30 Jun 20 \$million	Consolidated \$million	Equity Accounted \$million	31 Dec 19 \$million
Shopping centre investments	30,834.3	2,817.7	33,652.0	34,301.8	3,241.0	37,542.8
Development projects and construction in progress	474.3	60.5	534.8	553.5	76.3	629.8
Segment assets	31,308.6	2,878.2	34,186.8	34,855.3	3,317.3	38,172.6
Cash and cash equivalents	927.2	10.1	937.3	253.0	8.0	261.0
Trade and other receivables	614.0	48.5	662.5	291.5	10.3	301.8
Expected credit loss allowance	(234.9)	(26.5)	(261.4)	(23.0)	(1.4)	(24.4)
Deferred tax assets	32.4	1.9	34.3	32.7	-	32.7
Receivables on currency derivatives	791.1	-	791.1	677.7	-	677.7
Other assets	839.4	0.7	840.1	611.6	1.9	613.5
Total assets	34,277.8	2,912.9	37,190.7	36,698.8	3,336.1	40,034.9
Interest bearing liabilities						
- Current	2,028.6	-	2,028.6	1,713.6	-	1,713.6
- Non current	13,137.6	-	13,137.6	12,106.1	-	12,106.1
Lease liabilities	137.0	0.4	137.4	129.8	0.4	130.2
Other financial liabilities	619.2	-	619.2	689.0	-	689.0
Deferred tax liabilities	96.5	77.3	173.8	104.1	75.1	179.2
Payables on currency derivatives	180.3	-	180.3	21.3	-	21.3
Other liabilities	1,721.3	72.7	1,794.0	1,571.6	76.0	1,647.6
Total liabilities	17,920.5	150.4	18,070.9	16,335.5	151.5	16,487.0
Net assets	16,357.3	2,762.5	19,119.8	20,363.3	3,184.6	23,547.9

	30 Jun 20 \$million	31 Dec 19 \$million
4 Trade and other receivables		
Current		
Trade debtors	156.1	40.0
Receivables	216.1	228.5
	372.2	268.5
Non current		
Trade debtors	6.9	-
	6.9	-
Total trade and other receivables	379.1	268.5
(a) Trade and other receivables comprise:		
Trade and other receivables	614.0	291.5
Expected credit loss allowance	(234.9)	(23.0)
Total trade and other receivables	379.1	268.5

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For the half-year ended 30 June 2020

4 Trade and other receivables (continued)

	30 Jun 20	31 Dec 19
	\$million	\$million
(b) Movement in expected credit loss allowance		
Balance at the beginning of the period	(23.0)	(25.9)
Expected credit charge relating to COVID-19	(208.6)	-
Other decreases/(increases) in expected credit loss	(3.3)	2.9
Balance at the end of the period	(234.9)	(23.0)

Trade and other receivables are carried at amortised cost, reduced by expected impairment losses. In assessing for impairment, the Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. For trade receivables, the Group applies the simplified approach which requires lifetime expected losses to be recognised from initial recognition of the receivables. In measuring the expected credit loss, receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on days past the due date and the historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle their debts.

For the second quarter of 2020, many of the Group's retailers have been adversely impacted as a result of the COVID-19 pandemic and the government restrictions on people movement and activity. The loss of revenue during this period has impacted many tenants' financial position. In response to the pandemic, the National Cabinet in Australia issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Group has implemented similar principles in that market with respect to small to medium sized retailers. The Group has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash-flow issues.

The expected credit charge relating to COVID-19 recognised for the half-year ended 30 June 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the income statement to highlight its significant impact on the Group's results. The charge includes an estimate of lease receivables that might not be recovered and additional credit risk associated with tenants. As the process of negotiations for tenant rent relief remains incomplete, management have made significant assumptions and used their judgement to estimate the level of rent waivers for the period to 30 June 2020. For the remaining trade and other receivables outstanding at 30 June 2020, that is, amounts not expected to be waived, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

- the extent and duration of the pandemic;
- the effectiveness of government policies in response to the pandemic;
- the credit quality of tenants based on shared credit risk characteristics (e.g. size, industry, aging);
- future economic conditions; and
- consumer and business sentiment.

Management has also taken into account security deposits received from tenants generally in the form of bank guarantees, which can be called upon if the tenant is in default under the terms of the lease contract.

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 30 June 2020.

Other receivables also include interest receivable which is linked to derivatives that have been transacted with credit worthy counterparties in accordance with the Group's credit risk policy.

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	30 Jun 20	31 Dec 19
	\$million	\$million
5 Investment properties		
Shopping centre investments	30,834.3	34,301.8
Development projects and construction in progress	474.3	553.5
Total investment properties ⁽ⁱ⁾	31,308.6	34,855.3

⁽ⁱ⁾ The fair value of investment properties at the end of the period of \$31,308.6 million (31 December 2019: \$34,855.3 million) comprises investment properties at market value of \$31,263.4 million (31 December 2019: \$34,809.9 million) and ground lease assets of \$45.2 million (31 December 2019: \$45.4 million).

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 key assumptions and estimates used in determining fair value are disclosed in Note 6.

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 and valuation principles as set by the International Valuation Standards Council.

	30 Jun 20	31 Dec 19
	\$million	\$million
6 Details of shopping centre investments		
Consolidated Australian shopping centres	30,834.3	34,301.8
Total consolidated shopping centres	30,834.3	34,301.8
Equity accounted Australian shopping centres	1,366.1	1,572.0
Equity accounted New Zealand shopping centres	1,451.6	1,669.0
Total equity accounted shopping centres	2,817.7	3,241.0
	33,652.0	37,542.8

As at 30 June 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows; and
- the impact of government support on tenants and rental schemes giving rise to rent deferrals, rent waivers, and eviction moratoriums.

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on information that is available at 30 June 2020.

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6 Details of shopping centre investments (continued)

The table below summarises some of the key inputs used in determining investment property valuations:

	30 Jun 20	31 Dec 19
Australian portfolio ⁽ⁱ⁾		
Total Annual Sales > \$1 billion		
Retail capitalisation rate	4.13%-4.50%	4.00%-4.13%
Weighted average retail capitalisation rate	4.34%	4.12%
Retail discount rate	6.00%-6.25%	6.00%-6.25%
Total Annual Sales > \$500 million < \$1 billion		
Retail capitalisation rate	4.50%-5.75%	4.25%-5.50%
Weighted average retail capitalisation rate	4.96%	4.81%
Retail discount rate	6.25%-7.00%	6.25%-7.25%
Total Annual Sales < \$500 million		
Retail capitalisation rate	4.75%-6.25%	4.75%-6.00%
Weighted average retail capitalisation rate	5.62%	5.36%
Retail discount rate	6.25%-7.50%	6.25%-7.50%
New Zealand portfolio		
Retail capitalisation rate	5.38%-6.75%	5.25%-6.63%
Weighted average retail capitalisation rate	6.14%	5.92%
Retail discount rate	7.13%-8.28%	7.00%-8.28%

⁽ⁱ⁾ Australian portfolio classification based on 31 December 2019 total annual sales.

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 30 June 2020 have broadly remained flat to 31 December 2019, whilst weighted average capitalisation rates have increased from 4.72% at 31 December 2019 to 4.91% at 30 June 2020. The capitalisation rate sensitivity analysis is detailed below.

	30 Jun 20	31 Dec 19
	\$million	\$million
The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows:	Capitalisation rate movement	Increase/(decrease) in fair value
	-50 bps	3,819.4
	-25 bps	1,807.2
	+25 bps	(1,631.9)
	+50 bps	(3,112.8)

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	30 Jun 20	30 Jun 19
	\$million	\$million
7 Details of equity accounted investments		
(a) Share of equity accounted entities' net profit/(loss) and comprehensive income/(loss)		
Share of after tax profit/(loss) of equity accounted entities	(364.2)	37.0
Other comprehensive income/(loss) ⁽ⁱ⁾	(11.0)	1.2
Share of total comprehensive income/(loss) of equity accounted entities	(375.2)	38.2

⁽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 \$2,762.5 million (31 December 2019: \$3,184.6 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of \$1,740.4 million (31 December 2019: \$2,159.8 million) and interest bearing loans of \$1,022.1 million (31 December 2019: \$1,024.8 million). Inter-entity interest charges on the loans amounted to \$11.9 million (30 June 2019: \$14.6 million).

(c) Equity accounted entities economic interest

Name of investments	Type of equity	Balance date	Economic interest	
			30 Jun 20	31 Dec 19
Australian investments ⁽ⁱ⁾				
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	50.0%	50.0%
Southland ⁽ⁱⁱⁱ⁾	Trust units	30 Jun	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱⁱ⁾	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 have 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.

	30 Jun 20	30 Jun 19
	\$million	\$million
8 Taxation		
Current tax expense - underlying operations	(10.2)	(28.5)
Deferred tax benefit/(expense)	9.7	(0.2)
	(0.5)	(28.7)

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For the half-year ended 30 June 2020

	Note	30 Jun 20 \$million	30 Jun 19 \$million
9 Significant items			
The following significant items are relevant in explaining the financial performance of the business:			
Property revaluations	3(v)	(4,079.3)	24.9
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	3(v)	10.6	2.6
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting	13	11.7	(55.7)
Net fair value gain on other financial liabilities	13	69.8	0.4
Net modification loss on refinanced borrowing facilities	13	(12.8)	(1.9)
Gain in respect of capital transactions	14	-	134.7
Deferred tax benefit/(expense)	3(v)	7.5	(1.7)
Expected credit charge relating to COVID-19	3(v)	(232.1)	-

10 Dividends/distributions

(a) Interim dividends/distributions for the period

Dividend/distribution in respect of the 6 months to 30 June 2020

Parent Company: nil (30 June 2019: nil)	-	-
SGT1: nil (30 June 2019: 5.70 cents per unit)	-	302.4
SGT2: nil (30 June 2019: 5.60 cents per unit)	-	297.0
SGT3: nil (30 June 2019: nil)	-	-
Scentre Group: nil (30 June 2019: 11.30 cents per stapled security)	-	599.4

(b) Dividends/distributions paid

Dividend/distribution in respect of the 6 months to 31 December 2019

Parent Company: nil (31 December 2018: 2.96 cents per share) ⁽ⁱ⁾	-	157.0
SGT1: 6.85 cents per unit (31 December 2018: 3.40 cents per unit)	358.3	180.3
SGT2: 4.45 cents per unit (31 December 2018: 4.60 cents per unit)	232.7	244.0
SGT3: nil (31 December 2018: 0.12 cents per unit) ⁽ⁱ⁾	-	6.4
Scentre Group: 11.30 cents per stapled security (31 December 2018: 11.08 cents)	591.0	587.7

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

	30 Jun 20 \$	31 Dec 19 \$
11 Net tangible asset backing		
Net tangible asset backing per security	3.66	4.46

Net tangible asset backing per security is calculated by dividing net assets (including the right-of-use asset) attributable to members of the Group of \$18,954.6 million (31 December 2019: \$23,338.6 million) by the number of securities on issue at 30 June 2020 of 5,181,712,409 (31 December 2019: 5,229,975,362).

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For the half-year ended 30 June 2020

	30 Jun 20 cents	30 Jun 19 cents
12 Statutory earnings/(loss) per security		
(a) Summary of earnings/(loss) per security attributable to members of Scentre Group		
Basic earnings/(loss) per stapled security	(69.54)	13.95
Diluted earnings/(loss) per stapled security	(69.54)	13.91

(b) Income and security data

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

	\$million	\$million
Earnings/(loss) used in calculating basic earnings/(loss) per stapled security ^{(i) (ii)}	(3,613.3)	740.0
Adjustment to earnings/(loss) on employee performance rights which are considered dilutive	-	-
Earnings/(loss) used in calculating diluted earnings/(loss) per stapled security	(3,613.3)	740.0

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

⁽ⁱⁱ⁾ Comprises net profit attributable to SGL of \$0.9 million (30 June 2019: \$35.1 million) and net loss attributable to members of SGT1, SGT2 and SGT3 of \$3,614.2 million (30 June 2019: profit of \$704.9 million).

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

	Number of securities	Number of securities
Weighted average number of ordinary securities used in calculating basic earnings/(loss) per stapled security	5,195,992,463	5,304,295,769
Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive ^{(i) (ii)}	-	16,439,487
Adjusted weighted average number of ordinary securities used in calculating diluted earnings/(loss) per stapled security	5,195,992,463	5,320,735,256

⁽ⁱ⁾ As at 30 June 2020, 10,867,360 (30 June 2019: 16,277,963) actual employee performance rights are outstanding.

⁽ⁱⁱ⁾ The number of employee performance rights that could potentially dilute basic earnings per stapled security in the future, but were not included in the calculation of diluted earnings/(loss) per stapled security because they are antidilutive is 10,867,360 (30 June 2019: nil).

(c) Conversions, calls, subscription, issues or buy-back after 30 June 2020

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 20 \$million	30 Jun 19 \$million
13 Financing costs		
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)	(257.2)	(277.8)
Financing costs capitalised to qualifying development projects and construction in progress	8.4	13.1
Interest expense on other financial liabilities	(12.0)	(16.7)
Lease liabilities interest expense	(3.1)	(1.1)
Financing costs	(263.9)	(282.5)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting	11.7	(55.7)
Net fair value gain on other financial liabilities	69.8	0.4
Net modification loss on refinanced borrowing facilities	(12.8)	(1.9)
	(195.2)	(339.7)

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	30 Jun 20 \$million	30 Jun 19 \$million
14 Gain in respect of capital transactions		
Asset sales and capital costs		
- proceeds from asset sales	-	2,098.1
- less: carrying value of assets sold and other capital costs	-	(1,963.4)
Gain in respect of capital transactions	-	134.7
	30 Jun 20	31 Dec 19
	\$million	\$million
15 Interest bearing liabilities		
Current		
Unsecured		
Commercial paper and uncommitted facilities		
- A\$ denominated	327.5	754.7
Notes payable		
- € denominated	976.7	958.9
- US\$ denominated	724.4	-
	2,028.6	1,713.6
Non current		
Unsecured		
Bank loans		
- A\$ denominated	1,160.0	1,735.0
- NZ\$ denominated	1,005.7	986.3
Notes payable		
- € denominated	4,256.7	4,183.3
- US\$ denominated	4,491.5	2,993.2
- £ denominated	1,437.0	1,512.3
- A\$ denominated	430.4	430.5
- HK\$ denominated	74.8	-
Secured		
Bank loans and mortgages		
- A\$ denominated	281.5	265.5
	13,137.6	12,106.1
Total interest bearing liabilities	15,166.2	13,819.7

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.

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 \$735.3 million (31 December 2019: \$853.3 million) compared to borrowings of \$281.5 million (31 December 2019: \$265.5 million).

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For the half-year ended 30 June 2020

15 Interest bearing liabilities (continued)

	30 Jun 20	31 Dec 19
	\$million	\$million
(a) Summary of financing facilities		
Committed financing facilities available to the Group:		
Total financing facilities	19,491.5	15,428.2
Total interest bearing liabilities	(15,166.2)	(13,819.7)
Total bank guarantees	(39.3)	(55.6)
Available financing facilities	4,286.0	1,552.9
Cash	927.2	253.0
Financing resources available	5,213.2	1,805.9

These facilities comprise fixed 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 \$619.2 million (31 December 2019: \$689.0 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Committed	Total	Committed	Total
	financing	interest	financing	interest
	facilities	bearing	facilities	bearing
	30 Jun 20	liabilities	31 Dec 19	liabilities
Maturity Date	\$million	\$million	\$million	\$million
(b) Total financing facilities and interest bearing liabilities are comprised of:				
Unsecured notes payable - € ⁽ⁱ⁾	Jul 20 to Mar 29	5,233.4	5,233.4	5,142.2
Unsecured notes payable - US\$ ⁽ⁱ⁾	Apr 21 to May 30	5,215.9	5,215.9	2,993.2
Unsecured notes payable - £ ⁽ⁱ⁾	Apr 22 to Jul 26	1,437.0	1,437.0	1,512.3
Unsecured notes payable - HK\$ ⁽ⁱ⁾	Apr 30	74.8	74.8	-
Unsecured notes payable - A\$	Sep 21 to Jul 22	430.4	430.4	430.5
Total unsecured notes payable		12,391.5	12,391.5	10,078.2
Unsecured bank loan facilities	Jan 22 to Sep 25	6,800.0	2,165.7	5,050.0
Unsecured commercial paper and uncommitted facilities ⁽ⁱⁱ⁾		-	327.5	-
Secured bank loans and mortgages	Feb 23	300.0	281.5	300.0
		19,491.5	15,166.2	15,428.2
				13,819.7

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

⁽ⁱⁱ⁾ 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.

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15 Interest bearing liabilities (continued)

	Maturity Date	30 Jun 20 Local currency million	31 Dec 19 Local currency million
(c) Maturity of unsecured notes payable			
	16 Jul 20	€600.0	€600.0
	28 Apr 21	US\$500.0	US\$500.0
	8 Sep 21	A\$400.0	A\$400.0
	8 Apr 22	£400.0	£400.0
	4 Jul 22	A\$30.4	A\$30.5
	22 Mar 23	€500.0	€500.0
	11 Sep 23	€515.1	€517.2
	16 Jul 24	€600.0	€600.0
	12 Feb 25	US\$600.0	US\$600.0
	28 Oct 25	US\$500.0	US\$500.0
	28 Jan 26	US\$750.0	-
	16 Jul 26	£400.0	£400.0
	23 Mar 27	US\$500.0	US\$500.0
	11 Apr 28	€500.0	€500.0
	28 Mar 29	€500.0	€500.0
	29 Apr 30	HK\$400.0	-
	28 May 30	US\$750.0	-
Total A\$ equivalent of the above		12,391.5	10,078.2

16 Contributed equity

	30 Jun 20 Number of securities	31 Dec 19 Number of securities
(a) Number of securities on issue		
Balance at the beginning of the period	5,229,975,362	5,304,295,769
Decrease in number of securities ⁽ⁱ⁾	(48,262,953)	(74,320,407)
Balance at the end of the period ⁽ⁱⁱ⁾	5,181,712,409	5,229,975,362

⁽ⁱ⁾ The decrease in number of securities comprises the buy-back and cancellation of 48,379,593 securities (31 December 2019: 78,239,274 securities) offset by 116,640 securities (31 December 2019: 3,918,867 securities) transferred to executives and which were previously held by the Scentre Executive Option Plan Trust.

⁽ⁱⁱ⁾ The number of securities on issue as at 30 June 2020 was 5,190,378,339 (31 December 2019: 5,238,757,932). The Scentre Executive Option Plan Trust holds 8,665,930 (31 December 2019: 8,782,570) 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 20 \$million	31 Dec 19 \$million
(b) Amount of contributed equity attributable to members of Scentre Group		
Balance at the beginning of the period	10,164.0	10,465.1
Decrease in contributed equity ⁽ⁱ⁾	(174.8)	(301.1)
Balance at the end of the period ⁽ⁱⁱ⁾	9,989.2	10,164.0

⁽ⁱ⁾ The decrease in contributed equity comprises the buy-back and cancellation of securities and associated costs of \$174.9 million (31 December 2019: \$303.6 million) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of \$0.1 million (31 December 2019: \$2.5 million).

⁽ⁱⁱ⁾ Comprises contributed equity attributable to SGL of \$659.4 million (31 December 2019: \$666.0 million) and contributed equity attributable to members of SGT1, SGT2 and SGT3 of \$9,329.8 million (31 December 2019: \$9,498.0 million).

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17 Fair value of financial assets and liabilities

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

	Fair value Hierarchy	Fair value		Carrying amount	
		30 Jun 20 \$million	31 Dec 19 \$million	30 Jun 20 \$million	31 Dec 19 \$million
Consolidated assets					
Cash and cash equivalents		927.2	253.0	927.2	253.0
Trade and other receivables ⁽ⁱ⁾		379.1	268.5	379.1	268.5
Derivative assets ⁽ⁱⁱ⁾	Level 2	1,375.3	1,001.8	1,375.3	1,001.8
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		927.1	1,011.2	927.1	1,011.2
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	12,772.6	10,584.5	12,391.5	10,078.2
- Floating rate debt	Level 2	2,774.0	3,740.9	2,774.7	3,741.5
Other financial liabilities ⁽ⁱⁱ⁾	Level 3	619.2	689.0	619.2	689.0
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	974.4	572.8	974.4	572.8

⁽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 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 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 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes ⁽ⁱ⁾ 30 Jun 20 \$million	Property linked notes ⁽ⁱ⁾ 31 Dec 19 \$million
Level 3 fair value movement		
Balance at the beginning of the period	689.0	696.9
Net fair value gain included in financing costs in the income statement	(69.8)	(7.9)
Balance at the end of the period	619.2	689.0

⁽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.

SCENTRE GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

	30 Jun 20	31 Dec 19
	\$million	\$million
18 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	36.7	85.4
Due between one and five years	0.9	14.9
	37.6	100.3

19 Contingent liabilities

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

Performance guarantees	68.7	80.2
	68.7	80.2

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 any time depending on 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.

20 Subsequent events

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne in Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic. Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Group's financial performance subsequent to 30 June 2020.

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 2020 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 25 August 2020 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 2020, 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 2020 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*.

Emphasis of Matter - Impact of the Coronavirus (COVID-19) Pandemic

We draw attention to Note 6 of the half-year financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the Directors in the preparation of the financial report. Due to the heightened degree of valuation uncertainty, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

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 2020 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.



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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Megan Wilson' in a cursive style.

Megan Wilson

Partner
Sydney
25 August 2020

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

SCENTRE GROUP

DIRECTORS' REPORT

The Directors of Scentre Group Limited (**Parent Company**) submit the following report for the half-year ended 30 June 2020 (**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 Harnos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director
Michael Wilkins AO	Non-Executive Director

Aliza Knox retired from the Board on 8 April 2020 and Mike Wilkins was appointed as a Director on that date.

On 10 August 2020, the Group announced the appointment of Guy Russo to the Board effective 1 September 2020. Mr Russo will be an independent non-executive Director.

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 Operating environment

The Group is the owner and operator of Westfield in Australia and New Zealand with interests in 42 Westfield Living Centres, with more than 12,000 retail outlets. Our centres are in close proximity to the most densely populated urban areas - with more than 16 million people living within a 30-minute drive of one of our centres.

All our Westfield Living Centres remained open and trading during the COVID-19 pandemic, fulfilling an important role as social infrastructure and providing essential services to communities while implementing and communicating the highest standards of health and safety protocols.

As at the end of July, more than 93% of retail stores are open across the portfolio, excluding Victoria. Portfolio occupancy was 98.8% at the end of June 2020.

In-store sales for the Group's retail partners were impacted by the pandemic and the associated restrictions on people movement. In-store sales for retail partners that traded throughout the Financial Period were 8.1% lower compared to the previous corresponding period in 2019. Specialty in-store sales were 12.1% lower for the Financial Period compared to the previous corresponding period.

The Group led the development of the small and medium sized enterprises (**SME**) Commercial Code of Conduct and Leasing Principles during COVID-19 (**SME Code**) which was mandated by governments in Australia. The SME Code was designed to target appropriate assistance and support to SMEs during the pandemic. The Group voluntarily applied these principles to conversations with New Zealand SME retail partners.

As at the date of this report, the Group has agreed arrangements with 2,438 of its 3,600 retail partners including 1,624 SME retail partners.

SCENTRE GROUP
DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.2 Investors

Financial performance

	30 Jun 20	30 Jun 19
	\$million	\$million
FFO and distribution for the period ^{(i) (ii)}		
Property revenue ⁽ⁱⁱⁱ⁾	1,146.1	1,235.4
Property expenses	(249.4)	(264.2)
Net operating income	896.7	971.2
Management income ^(iv)	20.9	23.4
Income	917.6	994.6
Overheads	(41.9)	(42.5)
Adjust: Straightlining of rent	(6.2)	(5.7)
EBIT - Pre Expected credit charge relating to COVID-19	869.5	946.4
Expected credit charge relating to COVID-19	(232.1)	-
EBIT	637.4	946.4
Net interest ^(v)	(250.0)	(263.6)
Earnings before tax	387.4	682.8
Tax	(11.6)	(19.6)
Minority interest ^(vi)	(15.0)	(21.7)
Operating Earnings	360.8	641.5
Project income ^(vii)	1.6	41.4
Tax on project income	(0.5)	(12.4)
Project income after tax	1.1	29.0
FFO	361.9	670.5
Retained earnings	(361.9)	(71.1)
Distribution	-	599.4

⁽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⁾ 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. FFO is a non-statutory reporting measure and the table in this section 2.2 and in section 11 of this report were not reviewed by the auditor.

A reconciliation of profit/(loss) attributable to members of Scentre Group to FFO is presented in section 11 of the Directors' Report.

⁽ⁱⁱⁱ⁾ Property revenue of \$1,110.1 million (Note 3(iii)) plus amortisation of tenant allowances of \$36.0 million (Note 3(iii)).

^(iv) Property management income of \$25.6 million (Note 3(v)) less property management costs of \$4.7 million (Note 3(v)).

^(v) Financing costs of \$195.2 million (Note 3(v)) add interest income of \$1.9 million (Note 3(v)), less interest expense on other financial liabilities of \$12.0 million (Note 13), net fair value gain on other financial liabilities of \$69.8 million (Note 13), net fair value gain on interest rate hedges that do not qualify for hedge accounting of \$11.7 million (Note 13) and net modification loss on refinanced borrowing facilities of \$12.8 million (Note 13).

^(vi) Deduct loss after tax attributable to external non controlling interests of \$44.1 million (Note 3(v)) adjusted for non-FFO items of \$47.1 million, and interest expense on other financial liabilities of \$12.0 million (Note 13).

^(vii) Property development and construction revenue of \$71.4 million (Note 3(v)) less property development and construction costs of \$69.8 million (Note 3(v)).

Operating Earnings for the Financial Period were \$360.8 million (6.94 cents per security) and Funds From Operations (**FFO**) were \$361.9 million (6.96 cents per security).

The statutory financial result for the Financial Period was a loss of \$3,613.3 million, including an unrealised non-cash reduction in property valuations of \$4,079.3 million.

An expected credit charge of \$232.1 million related to the financial impact of the COVID-19 pandemic during the Financial Period is included in Operating Earnings, FFO and the statutory financial result.

SCENTRE GROUP

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.2 Investors (continued)

Financial performance (continued)

For the Financial Period, the Group achieved gross cash inflow of \$1,059 million and a net operating cash surplus (after interest, overhead and tax) of \$261 million on a proportionate basis.

For the Financial Period, the Group collected 70% of gross rental billings and for the months of June and July 2020, gross rental billings collections were over 80%. The gross rental billings used in calculating these collection rates have not been adjusted for the impact of applying the SME Code and its impact in reducing the actual amount of cash rent collectible during the period.

As at 30 June 2020, the Group's investment portfolio amounted to \$34.2 billion, a decrease of approximately 10% from the carrying value at 31 December 2019. The primary assumptions driving the change in valuations included:

- lower net operating income growth in the short-term, including lower growth in inflation and market rents;
- lower rates of retailer retention, longer downtime and higher lease incentives;
- inclusion of one-off rental abatements relating to the COVID-19 lockdowns and restrictions;
- lower long-term income growth rates; and
- expansion of capitalisation rates in a range of 0-50 basis points.

Liquidity and capital management

The Group:

- as at the date of this report, had raised or extended \$5.8 billion of additional funding, including \$3.4 billion of bank facilities and \$2.4 billion of long-term bonds. The Group has available liquidity of \$4.4 billion (on a pro-forma basis including the repayment of €600 million of bonds which matured in July 2020), that is sufficient to cover all debt maturities to January 2023;
- given the continued uncertainty regarding the economic impact of the pandemic and the timing of operating cash flows, announced that a distribution would not be paid for the six-month period ended 30 June 2020; and
- complied at all times with all of its financial covenants in respect of its banking facilities and bond offerings. Interest cover for the period was 3.6 times and balance sheet gearing at 30 June 2020 was 38.4%.

Development activities

In light of the pandemic, the Group reassessed all active and pending redevelopments and also aligned the resourcing of the Design and Construction (**D&C**) business with the planned workload. In line with the reduced level of active redevelopments, the flexibility of the Group's D&C business has enabled a reduction of more than 60% of the D&C work force, while retaining key capabilities.

During the Financial Period, the Group continued to progress the projects that were already underway at Westfield Doncaster (Victoria), Westfield Belconnen (ACT) and Westfield Hornsby (NSW). The \$50 million project at Westfield Carindale (Queensland) will complete in September 2020.

The Group maintains a future development pipeline in excess of \$3 billion. In addition, the Group has potential opportunities for alternative use developments in excess of \$1.5 billion.

2.3 Community

Our Westfield Living Centres play an integral part of the communities in which we operate. All of our centres have remained open enabling us to continue to provide access to essential goods and services.

The well-being and safety of our customers, our retail partners and our employees has remained a priority. The Group continues to engage with government and relevant health authorities to ensure that our centres fulfil their role in providing essential services to communities while implementing the highest standards of health and safety protocols. In Victoria the Group worked with the state government to enable drive-thru COVID-19 testing facilities to be conducted in our carparks.

The Group continued to expand its \$1.2 million Westfield Local Heroes program into wider community causes (e.g. sustainability) with nominations up 38% from 2019.

SCENTRE GROUP

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.4 Customers

The Group accelerated the implementation of its Connected Customer Experience Strategy through Westfield Direct and Westfield Plus, leveraging the convergence between physical and digital, to facilitate customers connecting and interacting with our retail partners beyond the traditional physical interaction.

Westfield Direct is a drive-through, contactless click and collect service launched in Australia and New Zealand during the peak periods of COVID-19 lockdown.

Westfield Plus is a membership customer engagement platform, launched at Westfield Newmarket in New Zealand in late 2019 and recently introduced in Australia. There are more than 500,000 members on Westfield Plus and this continues to grow.

2.5 Retail partners

During the Financial Period, the Group:

- led the development of the SME Code which was mandated by governments throughout Australia, the principles of which the Group voluntarily applied in its conversations with New Zealand SME retail partners;
- supported its retail partners by creating operational flexibility including being flexible on trading hours; and
- contributed to the development of the COVID-19 Retail Recovery Protocol (a practical and public-health led guide for shopping centres and retailers) and implemented the Protocol in all centres.

As at the date of this report, the Group has agreed arrangements with 2,438 of its 3,600 retail partners including 1,624 SME retail partners.

The structure of the Group's leases with retail partners has not changed and remains based on the mutual agreement to pay a fixed rent.

SME retail partners represent approximately 30% of the Group's rental income. Under the SME Code, SMEs are able to reduce the amount of cash rent payable commensurate with the decline in sales they may have experienced during the pandemic and post pandemic ("recovery") period.

2.6 People

Our people have demonstrated agility and resilience during the pandemic, adapting in response to its unprecedented effects on our retail partners, our customers and the economy.

Following the implementation of a range of COVID-19 related resourcing initiatives, all employees on 'stand by' have now returned to their pre-COVID hours, and the remuneration adjustments taken by the Board, senior leadership team (including the CEO and CFO and the broader executive team) during the 3-month period from May to July have now reverted effective 1 August 2020. The Group did not receive any financial assistance from Government.

During the Financial Period the Group maintained its recognition as an employer of choice for Work Place Gender Equality (WGEA) and improved its Australian Workplace Equality Index (AWEI) rating from Bronze to Silver as we continue to make progress with our Diversity and Inclusion strategy.

Highlights for the period include:

- our net promoter score for potential new hires was 85%;
- more than 65% of new roles were filled internally; and
- gender equity in promotion.

Voluntary employee turnover continues to remain low at 10.5% and the average employee tenure has grown from 6.5 years (last year) to 7 years at 30 June 2020.

2.7 Outlook

The Group is well positioned to manage the challenging conditions, with a strong balance sheet, sufficient liquidity to cover all debt maturities to January 2023, and a portfolio of high quality, strategically located assets.

However, given the uncertainty regarding the pandemic, its duration and consequential economic and business impacts, as previously announced, the Group is not providing earnings or distribution guidance.

SCENTRE GROUP

DIRECTORS' REPORT (continued)

3. Matters subsequent to the end of the Financial Period

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne, Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic. Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Group's financial performance subsequent to 30 June 2020.

4. Environmental

During the Financial Period the Group announced a target to achieve Net Zero Carbon Emissions by 2030. Work to achieve that target is progressing well with on-going energy efficiency initiatives including LED, building management and energy analytic controls and systems. In August 2020, the Group committed to the Task Force for Climate-Related Financial Disclosures (**TCFD**).

As at the end of the Financial Period, the Group's average portfolio NABERS rating had improved to 4.3 stars, well on track to meet the target 4.5 stars by 2025.

The Group is on track to meet the target of a 35% reduction in our carbon emission intensity by 2025, with a reduction of 33.5% since 2009, well ahead of schedule.

5. Risk management

The Group's risk management framework is based around 3 lines of defence and clear ownership of risk at an operational level where front-line business managers are responsible for the identification, measurement, control and mitigation of all material risks (both financial and non-financial risks, including in respect of economic, environmental and social risks). At the core of our approach to risk management is the establishment of a strong risk culture, where behavioural expectations are set by the Board and Executive Committee and actively promoted and cascaded through the organisation.

Our approach to risk management is aimed at embedding risk awareness in all decision making and in the management of risks and opportunities. Risk, compliance and audit teams are responsible for assessing, monitoring and reporting on operational and strategic risks. Oversight of material risks by the Executive Risk Management Committee and the Audit and Risk Committee ensures the business operates within the risk appetite and strategy of Scentre Group.

We follow an Enterprise Risk Management Policy and Framework (**ERM Policy and Framework**) to ensure that financial and non-financial risks are identified, evaluated, monitored and managed. Our ERM Policy and Framework is integrated with our day to day business processes and risk management accountability is a key requirement for our business managers and leaders.

During the Financial Period, the Group reviewed its ERM Policy and Framework to ensure that they remain effective including in relation to the environment created by COVID-19 where operations are required to be carried out differently and large number of employees were working remotely. While no material changes have been made to the ERM Policy and Framework, our COVID-19 risk response included expanding our risk assessment of the impact of COVID-19 and the governmental responses to, and recommendations in respect of, the pandemic.

This assessment included financial risks, operational risks and people risks associated with the pandemic and remains ongoing as the pandemic continues. Processes were put in place to enable increased frequency of communication between the CEO, the Chairman and the Board as our response to the pandemic evolved. Details of our response can be found in section 2 of this report.

6. 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.

SCENTRE GROUP DIRECTORS' REPORT (continued)

7. 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.

8. 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.

9. 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.

10. Auditor's independence declaration

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



Ernst & Young
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GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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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 2020, 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

25 August 2020

Megan Wilson
Partner

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

SCENTRE GROUP
DIRECTORS' REPORT (continued)

11. Reconciliation of profit/(loss) after tax attributable to members of Scentre Group to FFO

In calculating the Group's FFO, adjustments to profit/(loss) after tax are presented below.

	Note in Financial Statements	30 Jun 20 \$million	30 Jun 19 \$million
Profit/(loss) after tax attributable to members of Scentre Group		(3,613.3)	740.0
Adjusted for:			
- Property revaluations	3(v)	4,079.3	(24.9)
- Amortisation of tenant allowances	3(iii)	36.0	40.5
- Straightlining of rent	3(iii)	(6.2)	(5.7)
- Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	3(v)	(10.6)	(2.6)
- Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	13	(11.7)	55.7
- Net modification loss on refinanced borrowing facilities	13	12.8	1.9
- Net fair value gain on other financial liabilities	13	(69.8)	(0.4)
- Gain in respect of capital transactions	3(v)	-	(134.7)
- Deferred tax expense/(benefit)	3(v)	(7.5)	1.7
- FFO adjustments attributable to external non controlling interests		(47.1)	(1.0)
FFO		361.9	670.5

This report is made on 25 August 2020 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)

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Secretaries

Maureen T McGrath
Paul F Giugni

Auditor

Ernst & Young
200 George Street
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Principal Share Registry

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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
Contact: www.investorcentre.com/contact
Website: www.computershare.com

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com

SCENTRE GROUP ADDITIONAL INFORMATION

As at 30 June 2020

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 20	31 Dec 19
Scentre Group Limited	4.74%	3.86%
Scentre Group Trust 1	36.64%	39.00%
Scentre Group Trust 2	58.53%	57.07%
Scentre Group Trust 3	0.09%	0.07%

**SCENTRE GROUP
PROPERTY PORTFOLIO**

APPENDIX 1

As at 30 June 2020

	Carrying Amount 30 Jun 20 \$million	Retail Capitalisation Rates 30 Jun 20 %	Carrying Amount 31 Dec 19 \$million	Retail Capitalisation Rates 31 Dec 19 %
Total Annual Sales > \$1 billion	11,508.7	4.34%	12,649.4	4.12%
Wholly-owned: Bondi Junction, Chermshire, Fountain Gate and Sydney ⁽ⁱ⁾				
Total Annual Sales > \$500 million < \$1 billion	16,171.5	4.96%	18,065.3	4.81%
Wholly-owned: Belconnen, Carousel, Chatswood, Garden City and Hornsby				
Jointly-owned (50%): Booragoon, 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	4,520.2	5.62%	5,159.1	5.36%
Wholly-owned: Kotara, Innaloo and Tuggerah				
Jointly-owned (50%): Airport West, Burwood, Coomera, Geelong, Helensvale, Mt Druitt, Plenty Valley, West Lakes, Whitford City and Woden				
Total Australian portfolio ⁽ⁱⁱⁱ⁾	32,200.4	4.85% ^(iv)	35,873.8	4.67% ^(iv)
New Zealand	NZ\$1,552.3	6.14%	NZ\$1,739.6	5.92%
Jointly-owned (51%): Albany, Manukau, Newmarket, Riccarton and St Lukes				
Total New Zealand portfolio	NZ\$1,552.3	6.16% ^(iv)	NZ\$1,739.6	5.92% ^(iv)
Exchange rate	1.0694		1.0423	
Total New Zealand portfolio in A\$	1,451.6		1,669.0	
Total portfolio	33,652.0	4.91% ^(iv)	37,542.8	4.72% ^(iv)

Ownership interest shown above applies as at 30 June 2020 and 31 December 2019, unless otherwise stated.

⁽ⁱ⁾ Sydney comprises Sydney Central Plaza and the Sydney City Retail Centre.

⁽ⁱⁱ⁾ Carindale Property Trust (CDP) has a 50% interest in this shopping centre. As at 30 June 2020, the Group has a 62.58% interest in CDP (31 December 2019: 62.58%).

⁽ⁱⁱⁱ⁾ Australian portfolio classification based on 31 December 2019 total annual sales.

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