



Half year results
2015



Chief Executive Officer's review



The half year results are a further demonstration of the progress Federation Centres has made in terms of both financial and operational performance.

Improved net operating income growth, an enhanced property portfolio performance reflecting the success of our repositioning and leasing strategies, sound cost controls combined with conservative gearing levels are the key elements of the strong result.

There will be a continued focus on these key result areas for the balance of FY15.

It is very pleasing that positive leasing spreads were achieved across all three centre types for both renewals and new leases.

Careful management of overheads during the half year led to a significant reduction. An improved procurement process for costs such as electricity and cleaning was a key driver.

Full year 2015 earnings for Federation Centres, subject to any unforeseen events, are expected to be in the range of 18.0 to 18.3 cents per security.

NOVION PROPERTY GROUP AND FEDERATION CENTRES MERGER ANNOUNCEMENT

The proposed merger of Novion Property Group and Federation Centres will create one of Australia's leading listed property owners and managers with a \$22 billion, fully diversified retail property portfolio.

KEY DATES

Announcement of the Merger	3 February 2015
First court hearing. Scheme booklet dispatched to Novion securityholders	April 2015
Novion securityholder meeting to approve the schemes. Final court hearing	May 2015
Implementation date	June 2015

This is a unique opportunity to create an investment portfolio that provides both immediate synergy benefits and material value creation along with significant long term benefits such as increased relevance to debt and equity investors, improved growth opportunities and enhanced asset, geographic and tenant diversification.

The merger proposal is entirely consistent with the Federation Centres strategic direction and provides benefits to investors from both groups. It also provides the opportunity to improve the offer to retailers and thereby the level of services and experiences enjoyed by Australian consumers.

The merger proposal is unanimously endorsed by the Board of Federation Centres, as well as the Novion Board and Novion's largest securityholder the Gandel Group, subject to the usual conditions associated with such proposals.

The merger proposal does not reduce the expectations for the total distribution to FDC securityholders for FY2015. If the merger with Novion proceeds Federation securityholders are expected to receive a final distribution for FY2015 that is at least equal to current guidance of 8.5 cents per security (based on full year FY2015 distribution guidance of 16.9 cents per security and the interim payment of 8.4 cents per security).



Steven Sewell

Managing Director and Chief Executive Officer

Half year highlights

FINANCIAL MEASURES

	Half year to Dec 14	Half year to Dec 13	% change
Statutory Net Profit (\$ million)	222.5	226.7	-1.9
Underlying Earnings (\$ million)	129.0	118.8	+8.6
Underlying Earnings per Security (cents)	9.0	8.3	+8.4
Distribution per Security (cents)	8.4	7.5	+12
	31 Dec 14	30 June 14	
Total Tangible Assets (\$ million)	5,226	4,846	
Net Tangible Assets per Security (\$)	2.44	2.37	+3.0
Segment Balance Sheet Gearing ⁽¹⁾ (%)	26.8	24.1	
Weighted Average Term Debt (Years)	2.8 ⁽²⁾	3.4 ⁽²⁾	

(1) Segment Balance Sheet drawn debt less cash/Total Tangible Assets less cash

(2) Includes delayed start facilities

OPERATIONAL STATISTICS

	Dec 14 ⁽¹⁾	Dec 13
No. of Shopping Centres	65	57
Comparable NOI Growth – Stabilised ⁽²⁾	3.7%	2.2%
Occupancy	99.5%	99.5%
Annual Retail Sales Growth (SCCA) ⁽³⁾	1.3%	2.1%
Specialty Occupancy Cost Ratio	14.7%	14.7%
Capitalisation Rate (weighted average) ⁽²⁾	7.01%	7.43%

(1) Excludes Woodlands (settled 30 January 2015), Warrnambool (settled 9 February 2015) and Mildura (settled 12 February 2015).

(2) Calculated assuming ownership share as at 31 December 2014 remained unchanged since the beginning of the comparative period.

(3) Calculated in accordance with SCCA standards. Prior year included 53 week reporting period for Wesfarmers and Woolworths Group. For comparison purposes, prior year has been adjusted to reflect a 52 week period.

Key focus areas

ORGANIC INCOME GROWTH

- Maximise sales productivity
- Drive NOI and occupancy levels
- Proactive leasing, remix, optimise and enhance tenancy mix

REDEVELOPMENT AND PORTFOLIO MANAGEMENT

- Complete Cranbourne Park Stage 1
- Progress Board approved projects – Halls Head Central, Warriewood Square and Colonnades
- Continue repositioning transactions

OPERATIONAL EFFICIENCIES

- Integrate Yardi Voyager operating platform across the business
- Optimise cost structures at both the corporate and property levels

PREPARATION AND IMPLEMENTATION OF THE MERGER

- Plan for integration of property and systems to ensure a smooth transition to the new entity
- Detailed organisational and team structure decisions

Development update



WARNBRO UPDATE

The Warnbro redevelopment in Perth was completed ahead of budget at a yield of 9.7%. The first three months of trading exceeded expectations with a strong Christmas trading period, led by a strong performance by the new Big W store. Importantly the seamless integration of the new development combined with existing store upgrades, new flooring, lighting and amenities have been well received by customers.

This was an excellent start to our program of asset redevelopments. Four projects with a combined value of approximately \$300 million are underway or scheduled to commence in the 2015 calendar year.



CRANBOURNE UPDATE

The Cranbourne redevelopment in Victoria is on schedule for stage one to open fully leased in March.

BOARD APPROVED PROJECTS

Redevelopment at Colonnades in South Australia is underway with Harris Scarfe now open and trading with construction soon to commence on a new fresh food mall anchored by an expanded Woolworths and new Aldi supermarket.

Redevelopments at Warriewood in New South Wales and Halls Head Central in Western Australia are expected to commence shortly and will deliver substantial improvements to both these centres. Development applications have been lodged for major redevelopments at The Glen in Victoria and Mandurah Forum in Western Australia.

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Important Notice

This document contains summary information about the half year results of Federation Centres for the six months ended 31 December 2014. It is current as at 19 February 2015 and should be read in conjunction with the Federation Centres Appendix 4D lodged with ASX on 19 February 2015. For further details, please refer to the half year results released to ASX which are also available at www.federationcentres.com.au.



**FEDERATION
CENTRES**