

22 February 2013

## 2013 Half Year Results

**Federation Centres (FDC) announces its results for the half year ended 31 December 2012:**

### Financial<sup>1</sup>

- Statutory Net Profit of \$115.9 million
- Solid underlying earnings of \$106.2 million
- Balance sheet gearing<sup>2</sup> at 29.9%, expected to fall to 24.2% post ISPT transaction completion
- First half distribution of 6.6 cents per security
- Net tangible assets per security of \$2.22

### Strategic

- Redevelopment pipeline expanded to more than \$1.1 billion, with FDC share approximately \$591 million over five years
- More than \$1 billion of working capital being raised from strategic alliances
- \$548 million of assets purchased from syndicates
- Assigned investment grade Standard & Poor's credit rating of A- for FDC's senior secured bank debt and a corporate credit rating of BBB+
- Overwhelming investor support for name change to Federation Centres

### Operational

- Forty owned and seven joint venture centres with an occupancy rate of 99.5%
- Comparable Net Operating Income growth of 3.0%
- Renewal rent growth of 3.5%
- Retail sales up 2.0% (Moving Annual Turnover)
- Capitalisation rate (weighted average) of 7.45%

### Overview

Managing Director and CEO, Steven Sewell said: "Federation Centres' portfolio of Australian shopping centres, anchored by supermarkets, demonstrated its fundamental quality with a solid result for the six months to 31 December 2012.

"We are now on a clear path to deliver our strategic agenda.

"The key drivers were the continued strength in the performance of the portfolio and the improved financial position through release of capital and the restructure of debt facilities.

"Standard & Poor's has assigned FDC a senior secured bank debt a rating of A- and a corporate credit rating of BBB+. These ratings provide an opportunity to diversify our funding sources via the debt capital markets, subject to suitable market conditions.

"Following completion of the recently announced ISPT co-ownership transaction, more than \$2 billion of assets will have been placed in co-ownership arrangements, freeing up more than \$1 billion of working capital and establishing important relationships for future redevelopment.

<sup>1</sup>Federation Centres was formed on 1 December 2011 therefore previous corresponding period comparison is not included.

<sup>2</sup>Balance sheet gearing excludes cash (Drawn Debt less cash/Total Tangible Assets less cash).

Concurrently, we have acquired \$548 million of assets from the syndicate business and are well positioned to acquire approximately an additional \$700 million in assets from the syndicate business over the next two years.

“Throughout the business transformation, debt has been carefully managed.

### Redevelopment

“We are progressing with the strategic objective to take advantage of redevelopment opportunities within the Federation Centres portfolio. We have recruited an experienced team and have the capital and funding plans in place.

“We have commenced the work to refine and expand the redevelopment pipeline. A phased redevelopment plan is now being progressed.

“In the first phase there are seven projects with the total value forecast to be \$226.1 million, of which the Federation Centres’ share of costs is \$146.2 million. These redevelopments are recently completed or in progress, or waiting for final approvals and expected to commence over the next two years.

“Phase two of the redevelopment program involves six projects where concepts and feasibility is at an advanced stage. Work is expected to commence in the 2014 and 2015 financial years. Based on current plans the total value of projects in this phase is \$154.5 million with the Federation Centres’ share totalling \$84.8 million.

“Phase three of the redevelopment involves three of the centres in a co-ownership arrangement.<sup>3</sup> Redevelopment is at the concept development stage and work is expected to commence after 2015 depending on further analysis and approvals. The cost of redevelopment is forecast at approximately \$720 million with \$360 million being the Federation Centres’ share.

“This phasing of approximately \$591 million in redevelopment projects over the next five years is designed to ensure we manage the funding associated with these projects within our stated gearing ratios.

### Outlook

“Federation Centres is entering a new era where we can utilise our sound financial position and work with our strategic alliances to enhance our portfolio of Australian shopping centres, with the clear objective of providing sustainable returns for investors.

“The portfolio continues to benefit from a strong exposure to non-discretionary spending. All retail categories showed growth, although department store sales remained subdued.

“Supermarkets and specialty retailers, which make up approximately 75% of Federation Centres’ total annual sales, achieved annual sales growth of 1.7%. The mini major category, with 8% of sales, increased turnover by 8%. Department store sales, which represented 3% of turnover, improved by 0.1%.

“Full year earnings are now forecast, subject to any unforeseen events, to be in the range of 15.5 to 15.75 cents per security with distributions paid to investors representing a payout ratio of between 80% and 90%,” he said.

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<sup>3</sup> Subject to completion of the ISPT transaction.

## Summary financial table:

<b>Summary segment income statement for the six months ended 31 Dec 2012<sup>1</sup></b>	
	\$m
Direct property investment income	148.5
Managed fund investment income	11.3
<b>Total Investment Income</b>	<b>159.8</b>
Property management, development and leasing	7.1
Fund management	11.8
<b>Total Income</b>	<b>178.7</b>
Overheads and depreciation (net of recoveries)	(23)
Financing costs	(49.5)
<b>Underlying Earnings</b>	<b>106.2</b>
Non-distributable items:	
Investment property revaluations	22.4
Stamp duty	(22.3)
Other	9.6
<b>Net profit/(loss)</b>	<b>115.9</b>
Underlying earnings per security (cents)	7.5
Distribution per security (cents)	6.6
<sup>1</sup> Summary segment income statement extracted from Note 2 of FDC's Appendix 4D. FDC was formed on 1 December 2011 therefore previous corresponding period comparison is not included.	

### About Federation Centres (ASX: FDC)

Federation Centres (FDC) is a fully vertically integrated Australian real estate investment trust (A-REIT) specialising in the ownership and management of Australian shopping centres. With \$6.6 billion of shopping centres under management, FDC employs over 500 people with offices in Melbourne, Sydney, Brisbane and Perth. For more information, please visit the FDC website at [www.federationcentres.com.au](http://www.federationcentres.com.au).

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#### Federation Limited ABN 90 114 757 783

Federation Centres Limited ABN 88 149 781 322 as responsible entity for:

- Federation Centres Trust No. 1 ARSN 104 931 928
- Federation Centres Trust No. 2 ARSN 122 223 974
- Federation Centres Trust No. 3 ARSN 153 269 759