

20 February 2014

## 2014 Half Year Results

**Federation Centres (FDC) announces its results for the half year ended 31 December 2013:**

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

- Statutory Net Profit After Tax of \$226.7 million, an increase from \$115.9 million
- Underlying Earnings of \$118.8 million, up 11.9% from \$106.2 million
- Segment Balance Sheet gearing<sup>2</sup> of 22.9%
- First half distribution of 7.5 cents per security, up 13.6% from 6.6 cents per security
- Net tangible assets per security of \$2.30, an increase from \$2.22 per security at 30 June 2013

### Operational

- Portfolio occupancy rate of 99.5%
- Net Operating Income growth of 2.2%
- Specialty renewal rental growth at 3.7%
- Retail sales up 2.1% (on a moving annual turnover basis)
- Portfolio weighted average capitalisation rate 7.43%, gross ownership value \$4.3 billion

### Key Result Areas

- Tenancy mix redevelopments completed on time with above budgeted returns
- Major works underway at Warnbro Centre in Western Australia and Cranbourne Park in Victoria
- Federation Centres rebranding completed at our largest and most centrally-located assets
- Successful first debt capital market issue of \$150 million of six-year term
- \$416.2 million assets purchased
- IT systems replacement project on track for 2014 implementation

### Redevelopment & Leasing

Five projects outlined under the first stage of Federation Centre's \$1.1 billion redevelopment program were successfully completed during the half year. These major tenant re-mixing projects were valued at \$28 million. Some of the key retailers added with these projects included:

- JB HiFi, Commonwealth Bank and Ice Fashion at Roselands in Sydney
- Rebel Sport and other mini majors at Bankstown Central in Sydney
- Dan Murphy's and new specialty stores at Lennox in New South Wales
- Aldi and specialty retailers at Monier Village in Queensland

Also, work commenced on the larger scale projects, with the \$43.4 million Warnbro Centre redevelopment in Western Australia on track to open in late September 2014 and the \$109.5 million redevelopment of Cranbourne Park underway with agreements signed for all major tenants and forecast to complete in 2015.

<sup>1</sup> Financial comparisons are between the 31 December 2012 and 31 December 2013 half year periods unless otherwise stated.

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

## **Overview**

Federation Centres Managing Director and CEO, Steven Sewell said: “Strong operating results and increased earnings, combined with good progress on restructuring our funding arrangements, the redevelopment program and rebranding our portfolio are the key achievements during the first half of the 2014 financial year.

“The operating results continue to show our national portfolio is performing well. The portfolio’s weighting towards sub-regional and convenience centres, with a focus on non-discretionary spending, has delivered solid net operating income growth and stable occupancy levels. Although there are early signs that consumer confidence is improving, for the half year to December 2013 conditions remained challenging,” he said.

The Federation Centres brand was launched just over a year ago. Since then 24 key centres have been rebranded, well within the forecast cost and representing approximately 60% of the portfolio by value. The rebranding of the remaining centres is due to be completed by December 2014.

Another significant achievement was Federation Centres’ first medium term note issue which raised \$150 million with a six-year tenor from Australian debt capital markets. The issue is the first step in a program to diversify funding sources, lengthen the debt maturity profile and reduce the size of the annual refinancing and funding requirement.

During the half year the Group’s predominantly suburban sub-regional portfolio was expanded to 57 shopping centres through the acquisition of Carlingford Court in Sydney as part of a new strategic alliance. A further 10 convenience and sub-regional centres (valued at \$327.7 million) were acquired on balance sheet from the syndicate business.

The Group continued to build capabilities right across the organisation to better serve our retailers and the community and to take advantage of the many development opportunities that exist in the portfolio.

“As a result of our continued strong results, it is pleasing to announce an upgrade to earnings expectations,” Mr Sewell said.

“The key drivers of the forecast earnings increase are savings from debt restructuring, overhead reductions and increased earnings flowing from the purchase of syndicate assets and Carlingford Court,” he said.

## **Outlook**

Full year earnings are now forecast, subject to any unforeseen events, to be in the range of 16.7 to 17.0 cents per security with distributions paid to investors representing a payout ratio of between 95% and 105% of AFFO (Adjusted Funds From Operations).

## Summary financial table:

<b>Summary segment income statement</b>		
Six months to 31 December (\$M)	2013	2012
Direct property investment income	149.1	148.5
Syndicate investment income	7.9	11.3
<b>Total Investment Income</b>	<b>157.0</b>	<b>159.7</b>
Property management, development and leasing fees	7.6	7.1
Syndicate management fees	3.0	11.8
<b>Total Services Income</b>	<b>10.6</b>	<b>18.9</b>
<b>Total Income</b>	<b>167.6</b>	<b>178.7</b>
Overheads and depreciation (net of recoveries)	(22.2)	(23.0)
Borrowing costs	(26.6)	(49.5)
<b>Underlying Earnings</b>	<b>118.8</b>	<b>106.2</b>
Non-distributable items:		
Investment property revaluations	45.1	22.4
Reversal of stamp duty provision acquired on Aggregation	64.7	-
Other	(1.9)	(12.7)
<b>Net Profit After Tax</b>	<b>226.7</b>	<b>115.9</b>
<b>Underlying earnings per security (cents)</b>	<b>8.32</b>	<b>7.51</b>
<b>Distribution per security (cents)</b>	<b>7.50</b>	<b>6.60</b>

## Contact:

### Media

Brandon Phillips  
+61 3 9236 6321  
[brandon.phillips@federationcentres.com.au](mailto:brandon.phillips@federationcentres.com.au)

### Investors

Grant Mackenzie  
+61 3 9236 6328  
[grant.mackenzie@federationcentres.com.au](mailto:grant.mackenzie@federationcentres.com.au)

## 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 \$6.7 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).

### Federation Centres

Level 28, 35 Collins Street  
Melbourne Victoria 3000  
Australia

Telephone: +61 3 9236 6300  
Facsimile: +61 3 9236 6301  
[www.federationcentres.com.au](http://www.federationcentres.com.au)

### 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