

27 May 2015

ASX Announcement

Extraordinary General Meeting of Novion Limited and Novion Trust and Company Scheme Meeting of Novion Limited Chairman's address and speakers' notes

Chairman's address
Mr Richard Haddock AM
Chairman

Background to the Merger

In October 2014, the Board of Novion Property Group (Novion or the Group, ASX:NVN) received an unsolicited and confidential expression of interest from Federation Centres (Federation, ASX:FDC) to merge both groups (the Merger).

The Novion Board then implemented a process to assess the merits of the proposal from Federation to determine whether a compelling transaction for Novion Securityholders could be developed.

Given the significance of the opportunity, the process adopted by the Novion Board has been extensive. It has involved:

- an exchange of information between Novion and Federation to facilitate a thorough due diligence exercise on each other and the combined entity (the Merged Group)
- an assessment of the Merger relative to Novion's strategic landscape and alternatives, and
- a detailed assessment of the Merger to provide Novion with a high level of confidence in the strategic rationale underlying the creation of the Merged Group and its ability to achieve the identified cost savings.

Based on the strategic rationale identified and the terms agreed with Federation, the Novion Board entered into a Merger Implementation Agreement with Federation on 3 February 2015.

Strategic rationale for the Merger

The strategic rationale for the Merger includes:

- increased portfolio scale and expertise
- material value creation via cost savings and future opportunities with the Merger expected to result in at least \$42 million per annum of net operational cost savings
- significant earnings and distribution accretion with Novion's FY15 pro forma earnings and distribution expected to increase by 14.6% and 8.9% respectively on a per security basis
- improved growth opportunities particularly through the combined \$2.5 billion development pipeline and \$8.1 billion strategic partnerships business
- enhanced asset, geographic and tenant diversification, and
- greater relevance for equity and debt investors through increased scale. At an equity level, the Merged Group is expected to be in the ASX top-30, while on the debt side, the Merged Group should have access to a broader range of markets particularly in Europe, Asia and the US.

Merger summary

In summary, your Board believes that the Merger provides a unique and compelling opportunity that creates significant value for Novion Securityholders:

- it will create one of Australia's leading REITs
- it is unanimously supported by the Novion Board

Novion Property Group

Comprising:
Novion Limited
ABN 79 167 087 363
Novion Trust
ARSN 090 150 280

Responsible Entity

Novion RE Limited
ABN 33 084 098 180 AFSL 235384

Level 39, MLC Centre
19 Martin Place
Sydney NSW 2000
GPO Box 4048
Sydney NSW 2001

T +61 2 8229 7700
F +61 2 8229 7705
W novion.com.au

- Independent Expert, Grant Samuel & Associates Pty Limited, has found the Merger to be fair and reasonable to, and in the best interests of, Novion Securityholders, and
- The Gandel Group, which is Novion's largest securityholder with a relevant interest of 27.0% in Novion securities, has advised that its intention is to vote all of its securities in favour of the Merger, based on the disclosed Merger terms and in the absence of a superior proposal.

We, as your Board, recommend that you vote in favour of the Merger.

Proposed Board and executive management team of the Merged Group

Mr Peter Hay, current Novion Independent Non-executive Director, is proposed to be Chairman. Peter has a strong background and breadth of experience in business, corporate governance, financial and investment banking advisory work, and is a former partner of the legal firm Freehills.

Joining him will be existing Novion Directors, Mr Trevor Gerber, Mr Peter Kahan, Ms Karen Penrose, Dr David Thurin and myself, along with existing Federation directors, Mr Tim Hammon, Mr Charles Macek, Mr Fraser Mackenzie, Ms Wai Tang and the proposed CEO of the Merged Group, Mr Steven Sewell.

Their biographies are documented in the Scheme Booklet.

In addition to Steven Sewell, the executive management team will comprise five senior executives from each of Novion and Federation. Their biographies can also be found in the Scheme Booklet.

If the Merger is implemented, existing Novion Independent Non-executive Director, Ms Nancy Milne OAM and executives Mr Angus McNaughton, the Managing Director and CEO, and Mr Michael Gorman, Deputy CEO and Chief Investment Officer, will step down from their roles.

Before I continue, I would like to warmly thank Nancy, Angus and Michael for their hard work and dedication.

Nancy and I joined CFX's Board back in 2009 and I have thoroughly enjoyed working with Nancy and appreciated her input and wise counsel over the years.

Angus and Michael have both been long-standing executives within the former CFX and Colonial businesses, and the Board and I have had a great working relationship with both gentlemen and benefited from their professional approach and expertise.

Over the years, Nancy, Angus and Michael have helped to preserve and create significant value for CFX and now Novion Securityholders.

I would also particularly like to thank them for the extraordinary amount of work required to internalise CFX last year which has created the strong vehicle that Novion is today. Without that work, the Merger and its benefits would not be possible.

Mr Angus McNaughton Managing Director and CEO

Increased scale and diversification

You may have heard me say before, 'retail is a scale game', and that is exactly what this transaction will bring: increased portfolio scale and expertise.

The Merged Group will have exposure to over 100 retail assets, and be well diversified through a national presence across the full retail asset spectrum.

It will be the number one manager of Australian sub-regional centres, the number one manager of outlet centres and the second largest manager of super-regional and regional assets combined.

The portfolio will be weighted towards the larger economies of Victoria, NSW, Queensland and Western Australia.

The group will have relationships with over 9,500 retailers and will be the largest landlord for the Wesfarmers and Woolworths groups.

The portfolio will have more than 3 million sqm of lettable area, generating over \$18 billion in retail sales annually.

Focus of the Merged Group

This transaction brings together two businesses with highly-complementary strategies and platforms. Accordingly, the current intended focus of the Merged Group is not dissimilar to Novion's existing approach:

- it will continue to be a retail property specialist, with assets across the full retail asset spectrum, with steady income and capital growth underpinned by the stable yields and predictable cash flows traditionally found from retail assets
- it will strive for operational excellence by maintaining efficient and effective systems and aiming to attract, develop and retain the best talent
- it will focus on continual portfolio enhancement through redevelopment, refurbishment, tenancy remixing and targeted divestments and acquisitions
- the group will maintain and potentially broaden Novion's and Federation's strategic partnerships businesses, and
- all of this will be underpinned by the balance sheet strength of a prudent gearing range of 25% to 35% and maintaining appropriate liquidity and a diversified debt maturity profile with a strong investment grade credit rating.

Implementation of the Merger

If approved, the Merger will be implemented via inter-conditional trust and company schemes with Federation acting as the legal acquiring entity and Novion Securityholders owning approximately 64% of the Merged Group.

Each Novion security will be exchanged for 0.8225 Federation securities, and as at the day before the announcement of the Merger on 3 February 2015, this ratio implied a 9.9% premium to Novion's security price.

Terms have now been agreed on \$5.1 billion of debt financing arrangements, sufficient to refinance all of Novion's and Federation's debt if required.

The proposed executive management team and a working group of the proposed Board of the Merged Group have been meeting regularly, focusing on organisational design, market positioning, integration and strategy, while teams from both businesses have also been collaborating closely across many work streams to progress transition planning.

Mr Richard Haddock

Close of meeting

If the Merger is approved today, we will be seeking approval for the schemes from the New South Wales Supreme Court this Friday the 29th of May, and implementation is expected to occur on 11 June 2015.

I would like to now take this time to thank the broader Novion team for the many months of work that has gone into bringing this Merger proposal to you here today. The Board and I are very grateful for the hard work and dedication of the team.

This is a transformational deal and a great one for you our Securityholders.

For further information please contact:

Penny Berger

Head of Investor Relations and Communications

T +61 2 8229 7760

M +61 402 079 955

E penny.berger@novion.com.au

Troy Dahms

Investor Relations and Communications Manager

T +61 2 8229 7763

M +61 412 055 996

E troy.dahms@novion.com.au



About Novion Property Group

Novion Property Group (Novion, ASX:NVN) is one of Australia's leading retail property groups, with a fully integrated funds and asset management platform, and \$14.6 billion in retail assets under management. Listed on the Australian Securities Exchange, Novion holds interests in 27 directly-owned retail assets across Australia, manages 19 assets on behalf of strategic partners (9 of which are co-owned with Novion) and has over 16,000 investors across 18 countries. For more information, visit novion.com.au, or use your smartphone to scan this QR code to visit our Investor centre.