

5 June 2013

\$602 million co-ownership transaction with Challenger

Federation Centres (FDC) announces that it has entered into conditional agreements with various funds managed by Challenger, for the sale of 50% interests in a portfolio of six assets, for an aggregate transaction price of \$602 million (before selling costs). These assets are owned by FDC and certain Retail Direct Property (RDP) syndicates, with a gross value of \$1.2 billion.

The portfolio of assets consists of the regional shopping centres at Bankstown and Roselands in New South Wales, and the convenience centres at Toormina and Lennox, in New South Wales, Sunshine in Victoria and Karratha in Western Australia.

Consistent with previous strategic alliance transactions, FDC will remain as the manager of these centres and will be responsible for managing their redevelopment program.

Federation Centres Managing Director and Chief Executive Officer, Steven Sewell said: "FDC was engaged to continue to provide all property-related services when Challenger acquired the FDC-managed and RDP syndicate-owned Surfers Paradise Centre in Queensland. It is pleasing that we have now agreed to extend our alliance to also include co-ownership of a larger group of other centres. We look forward to working with Challenger at these quality shopping centre destinations to provide an engaging shopping experience for our consumers and enhanced returns for investors. Both FDC and Challenger share a common view of the potential for strategic and prudent investment to enhance these centres."

Challenger's Head of Real Estate, Trent Alston said: "We're pleased to be extending our relationship with Federation Centres and for the opportunity to join with our investment partner in another excellent commercial property investment."

Mr Sewell added: "On completion, this transaction continues to deliver on our key objective of introducing select and like-minded strategic parties on a range of larger centres. This facilitates reduced funding costs and supports the recently awarded Standard & Poor's A-investment grade credit rating for FDC's senior secured bank debt. The co-ownership strategy provides FDC with the liquidity and balance sheet flexibility for the future funding of our redevelopment and enhancement program of our portfolio of quality Australian shopping centres."

Ownership details of centres included in the transaction

Centres	Ownership Details
Bankstown & Toormina	Presently 100% FDC owned with 50% to be sold to Challenger.
Roselands & Karratha	Presently co-owned by FDC and RDP syndicates 21 and 25 respectively. The RDP syndicates have agreed to sell their respective 50% interest to Challenger with FDC retaining its 50% interest.
Lennox & Sunshine Marketplace	Presently 100% owned by RDP syndicates 10 and 27 respectively. A 50% interest in these centres will be sold to Challenger. (Subject to FDC exercising its right to call all of the units in these syndicates it does not already own via the flexible exit mechanism.)

Timing

Subject to the satisfaction of certain conditions, the transaction will complete in two phases.

- Phase one: Bankstown, Toormina, Roselands and Karratha centres is expected to occur by 30 June 2013, totalling approximately \$530 million.
- Phase two: Lennox and Sunshine centres is expected to occur by 31 July 2013.

The overall transaction value equates to a passing yield of 7.42%, or marginal discount of 1% on a blended basis to book value as at 31 December 2012.

Balance Sheet Strength

Following completion of this transaction with Challenger and the previously-announced ISPT transaction (for co-ownership of five centres for \$370 million), FDC's balance sheet gearing as at 31 July 2013 is forecast to be approximately 22%. This is subject to the finalisation of results for the financial year ending 30 June 2013, which are scheduled to be announced in August 2013.

Reflecting the enhanced balance sheet strength, substantial undrawn debt capacity and an A-investment grade credit rating, FDC will look to reduce the size of its debt facilities by up to \$450 million in the near term. Mr Sewell said: "We believe it is prudent to reduce the size of our undrawn debt facilities given the strength of our balance sheet and current capital commitments, resulting in immediate and future cost savings."

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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 more than 500 people with offices in Melbourne, Sydney, Brisbane and Perth. For more information, please visit the FDC website at www.federationcentres.com.au.

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- 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