ASX Announcement

18 August 2013

2013 Financial Year Results

Federation Centres (FDC) announces its results for the financial year ended 30 June 2013:

Financial[1]

- Statutory Net Profit After Tax of $212.7 million.
- Underlying Earnings of $224.4 million.
- Segment Balance Sheet gearing[2] of 18.3% as at 31 July 2013, post completion of the ISPT co-ownership transaction. Gearing was 25.5% as at 30 June 2013.
- Final distribution of 7.5 cents per security, 14.1 cents per security for the financial year.
- Net tangible assets per security of $2.22 as at 30 June.

Operational

- 47 balance sheet owned and co-owned assets registered a strong occupancy rate of 99.5%.
- Net Operating Income growth of 2.8%.
- Positive rental rate growth including renewals at 3.2%, underpinned by average specialty occupancy costs of 14.7%.
- Positive retail sales momentum, up 3.3% (on a moving annual turnover basis).
- Portfolio capitalisation rate 7.46% (weighted average), gross ownership value $4.1 billion.

Strategic

- Redevelopment pipeline projects forecast total $1.1 billion, with FDC share approximately $580 million over five years.
- Almost $1.4 billion of working capital raised from strategic co-ownership alliances.
- $616 million of assets purchased.
- Restructured debt funding on improved terms.

Overview

Federation Centres Managing Director and CEO, Steven Sewell said: "The strong financial performance of Federation Centres during the 2013 financial year reflected the resilient quality of our portfolio of supermarket-anchored Australian shopping centres and a significantly improved balance sheet position with substantially reduced debt levels and average financing costs.

"It was a transformational year, rebranding to Federation Centres with a revitalised focus on Australian shopping centres. We are well-positioned, with substantial strategic alliances in place and an investment grade Standard & Poor's credit rating of A- for our senior secured bank debt. Both these factors are delivering lower cost restructured banking facilities," he said.

Federation Centres' strong balance sheet position also provided the liquidity for exiting Retail Direct Property syndicate investors. The group completed the acquisitions of nine assets, with a

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[1]Federation Centres was formed on 1 December 2011 therefore previous corresponding period comparison is not included.
[2]Segment Balance Sheet gearing excludes cash (Drawn Debt less cash/Total Tangible Assets less cash).

gross value of $616 million, which was in part a counter-balance to the sale of assets into co-ownership alliances.

FDC's owned, co-owned and managed portfolio, comprising a blend of regional, sub-regional and convenience centres, is geographically diversified in mature catchment areas. It delivered operating income and importantly, rental rate growth across the year. Solid positive sales growth momentum across all categories was another pleasing aspect of the year.

The portfolio's core resilience and strength is attributable to its foundations in non-discretionary retail. The majority of centres are anchored by a national brand supermarket with above-benchmark sales performance. The portfolio also has relatively low exposure to the sectors experiencing weakness due to fragile consumer confidence or spending being redirected to online businesses.

However, throughout the year there were a range of domestic and offshore macro-economic factors that reduced consumer and retailer confidence. These included the rising cost of doing business, cost of living pressures in Australia and general uncertainty caused by the protracted Federal election campaign.

The challenging environment for retailers was demonstrated by the largest number of store closures and businesses moving into administration for many years. Federation Centres' portfolio was not immune to this impact with 25 stores closed or vacated, although most were re-let promptly.

Redevelopment

During the 2013 financial year developments at the Arndale centre in South Australia and Tuggeranong in the Australian Capital Territory were completed. These projects, which total about $62 million, deliver a forecast blended initial yield of approximately 7%.

Further, Board approval has been received for projects at Warnbro in Western Australia and Cranbourne in Victoria. These two projects have a total investment value of just over $150 million with Federation Centres' share being approximately $98 million.

Federation Centres has announced a five year program to redevelop and enhance our portfolio through the forecast investment of $1.1 billion, with FDC to contribute approximately $580 million. Plans for another 15 developments within the pipeline are progressing well.

FDC has lifted, and continues to supplement, the capability of the development teams based in Melbourne, Sydney and Perth to ensure we have the level of resource and expertise required as development activity increases over time.

Outlook

The domestic economic environment, in particular as it relates to the retail sector of the economy, remains a principle area of concern and vigilance. This is due to forecasts of continuing subdued GDP and retail sales growth, combined with currency and interest rate volatility. As a result of these forecasts of volatile retail conditions, we will continue to pro-actively adjust and optimise our business operating model through system and process improvements, organisational realignment and a heightened focus on direct and indirect cost control.

Full year earnings are forecast, subject to any unforeseen events, to be in the range of 16.5 to 16.8 cents per security with distributions paid to investors representing a payout ratio approximately equivalent to the amount of adjusted funds from operations.

Summary financial table:

Summary segment income statement for the year ended 30 June 2013[1]	
	$m
Direct property investment income	309.5
Syndicate investment income	22.0
Total Investment Income	**331. 5**
Property management, development and leasing fees	12.7
Syndicate management fees	27.3
Total Services Income	**40.0**
Total Income	**371.5**
Overheads and depreciation (net of recoveries)	(46.1)
Borrowing costs	(101.0)
Underlying Earnings	**224.4**
Non-distributable items:	
Investment property revaluations	25.2
Stamp duty	(27.4)
Other	(9.5)
Net Profit After Tax	**212.7**
[1]Summary segment income statement extracted from Note 4 of FDC's Financial Report for the year ended 30 June 2013. FDC was formed on 1 December 2011 therefore previous corresponding period comparison is not included.	
Underlying earnings per security (cents)	**15.8**
Distribution per security (cents)	**14.1**

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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 $6.5 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.