



28 February 2014

The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Federation Centres (ASX: FDC)

In accordance with Listing Rule 3.17.1, attached is a copy of Federation Centres Half Year summary as mailed to security holders today.

Faithfully

Dimitri Kiriacoulacos
Company Secretary



Half year results **2014**



Half year highlights

FINANCIAL MEASURES

	Half year to Dec 13	Half year to Dec 12	% change
Statutory Net Profit (\$ million)	226.7	115.9	+95.6
Underlying Earnings (\$ million)	118.8	106.2	+11.9
Underlying Earnings per Security (cents)	8.3	7.5	+10.7
Distribution per Security (cents)	7.5	6.6	+13.6

	31 Dec 13	30 June 13	
Total Tangible Assets (\$ million)	4,626	4,692	
Net Tangible Assets per Security (\$)	2.30	2.22	+3.6
Segment Balance Sheet Gearing ⁽¹⁾ (%)	22.9	25.5	
Weighted Average Term Debt (Years)	3.7 ⁽²⁾	3.1 ⁽²⁾	

(1) Segment Balance Sheet drawn debt less cash/Total Tangible Assets less cash

(2) Includes delayed start facilities

OPERATIONAL STATISTICS

	Dec 13	Dec 12
No. of Shopping Centres	57 ⁽¹⁾	47
Comparable NOI Growth – Stabilised ⁽²⁾⁽³⁾	2.2%	3.0%
Occupancy ⁽³⁾	99.5%	99.5%
Annual Retail Sales Growth (SCCA) ⁽³⁾	2.1%	2.0%
Specialty Occupancy Cost Ratio ⁽³⁾⁽⁴⁾	14.7%	14.7%
Capitalisation Rate (weighted average) ⁽²⁾	7.43%	7.45%

(1) After consolidation of Tweed Supermarket with Tweed Shopping Centre

(2) Based on Segment Balance Sheet. Calculated as Total Borrowings less cash/Total Tangible Assets less cash

(3) Excludes Carlingford Court

(4) Excludes Indooroopilly (Bulky Goods)

Achievements

FINANCING INITIATIVES

- A\$Medium Term Note issued, six years at 5.75%
- Balance Sheet gearing as at 31 December 2013 of 22.9%, below target range

ORGANIC NET OPERATING INCOME GROWTH

- Comparable NOI growth of 2.2%
- Occupancy 99.5%, consistent with historical averages
- Sales growth of 2.1%, reflecting non-discretionary focus

OPERATIONAL EFFICIENCIES

- Yardi Voyager enterprise-wide IT system implementation on track for second half 2014
- Procurement improvement initiatives – first tenders for key services underway

REDEVELOPMENT AND ASSET STRATEGY

- \$28.0m on smaller projects, returning 10.20% blended yield
- Warnbro (\$43.4m) and Cranbourne (\$109.5m) both now under construction
- Strategic co-ownership acquisition of Carlingford Court in December

CORPORATE READINESS

- Rebranding of 24 centres completed (approximately 60% of portfolio by value), balance by December 2014
- Simplified business as syndicates reduced
- Strategic recruitment (leasing, procurement, development, safety, finance) in areas to facilitate growth



Chief Executive Officer's review

Key achievements during the first half of the 2014 financial year included strong operating results and increased earnings. There was also good progress on restructuring funding arrangements, the redevelopment program and rebranding.

The operating results continue to show our national portfolio of supermarket-anchored shopping centres is performing well. The weighting towards sub-regional and convenience centres with a focus on non-discretionary spending is a key strength demonstrated by 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.

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 Centre's 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

OPERATIONAL HIGHLIGHTS

- Non-discretionary exposure underpins key metrics
- Sub-regional portfolio achieving 2.6% NOI growth
- High occupancy maintained

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. 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.

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).

I would like to thank investors for their support and our people for their contribution to achieving these results.



Steven Sewell

Managing Director and Chief Executive Officer

Development update



Artist impression

Five projects outlined under the first stage of Federation Centre's \$1.1 billion redevelopment program were successfully completed during the half year. These significant 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; and
- 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 (pictured above) underway with agreements signed for all major tenants and forecast to complete in 2015.

Federation Centres in the community



Rebranding

- New signage and local names installed at 24 centres
- Signage infrastructure upgraded with energy savings

Safety & Sustainability

- Focus on workplace, public areas and construction safety
- Sustainable initiatives underway, including energy waste and water improvements

Community Relationships

- Developed national charity partnerships strategy focussed on helping children to achieve their full potential
- Commitments to engage with The Song Room, The Property Industry Foundation and The Smith Family

Join us on social media!



YouTube



Federation Limited ABN: 90 114 757 783

Federation Centres Limited ABN: 88 149 781 322

Registered Office

Level 28
35 Collins Street
Melbourne Victoria 3000
Australia

Telephone: +61 3 9236 6300

Facsimile: +61 3 9236 6301

Web: www.federationcentres.com.au

Security Registrar

Link Market Services Limited

Level 1
333 Collins Street
Melbourne Victoria 3000
Australia

General securityholder enquiries:

Toll Free: (AU) 1300 554 474

Facsimile: +61 2 9287 0303

Facsimile: +61 2 9287 0309 (for proxy voting)

Email: registrars@linkmarketservices.com.au

Postal Address: Locked Bag A14,
Sydney South NSW 1235
Australia

Important Notice

This document contains summary information about the half year results of Federation Centres for the six months ended 31 December 2013. It is current as at 20 February 2014 and should be read in conjunction with the Federation Centres Appendix 4D lodged with ASX on 20 February 2014. For further details, please refer to the half year results released to ASX which are also available at www.federationcentres.com.au.

