

6 May 2015

ASX Announcement

March 2015 quarterly update

Novion Property Group (Novion or the Group, ASX:NVN) provides this update for the March 2015 quarter.

Key highlights during the period include:

- announcement of a proposed merger of Novion with Federation Centres (Federation, ASX:FDC)(the Merger)
- comparable¹ specialty store sales growth of 5.0% for the March 2015 quarter, improving moving annual turnover (MAT) sales growth to 3.4% across the direct shopping centre portfolio (Direct Portfolio) for the 12 months to 31 March 2015, compared to 2.8% to 31 December 2014, and
- making significant progress on the Chadstone Shopping Centre development and advancing the planning of other projects in the pipeline.

Post the period, the Group:

- released a booklet to Novion Securityholders which outlines details of the Merger (Scheme Booklet) and progressed transition planning should the Merger be implemented, and
- transacted on two assets for Novion wholesale funds.

Mr Angus McNaughton, Managing Director and CEO, said: "Our operational performance was solid during the period. We have seen a steady improvement in retail sales across our portfolio, and the Group is well positioned to realise significant value creation from the proposed Merger with Federation."

For more information on Novion's performance during the period and the Merger, refer to the Group's website, novion.com.au

Merger update

On 3 February 2015, the Group announced that it had entered into an agreement to merge with Federation. The Merger, if implemented, will create one of Australia's leading real estate investment trusts with over \$22 billion in assets under management, invested across the full retail asset spectrum. The merged group will be:

- the second largest listed manager of Australian retail assets²
- a top-10 listed manager of retail assets globally³, and
- a top-30 entity listed on the ASX.⁴

In March 2015, The Gandel Group, Novion's major securityholder, announced an increase in its direct holding in Novion from 22% to 27% and that it intends 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.

On 15 April 2015, Novion released the Scheme Booklet in relation to the Merger. It outlined key information as follows:

- the Board of Novion unanimously recommends that Novion Securityholders vote in favour of the Merger, in the absence of a superior proposal
- the Independent Expert, Grant Samuel & Associates Pty Limited, concluded that the Merger is fair and reasonable to, and in the best interests of, Novion Securityholders

¹ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison. Chadstone Shopping Centre is not in the comparable basket post the December 2014 quarter due to development.

² As at 31 December 2014, adjusted for post balance date acquisitions and disposals of Federation and Novion.

³ Based on the constituents of the FTSE EPRA/NAREIT Global Index, adjusted to include CapitaLand Limited, as at 4 May 2015.

⁴ Based on the closing trading prices of ASX listed entities as at 4 May 2015.

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

- an Extraordinary General Meeting and a Company Scheme Meeting will be held consecutively from 10.00am on 27 May 2015 (the Meeting), and
- debt financing arrangements (\$3.3 billion of unsecured bank loan facilities and a \$1.8 billion unsecured bridge facility) have been put in place to refinance all Novion and Federation debt if required.

Mr Richard Haddock AM, Chairman of Novion, said: “The Merger represents a unique and compelling opportunity to merge two groups with highly-complementary platforms. It creates significant value for Novion Securityholders and on an FY15 pro forma basis, the Merger is expected to be 14.6% and 8.9% accretive to Novion’s earnings and distribution respectively, on a per security basis.”⁵

“The Board unanimously supports the Merger and recommends that Novion Securityholders vote in favour of the Merger, in the absence of a superior proposal.

“A number of integration work streams have commenced to ensure a smooth transition should the Merger be approved and implemented, and the merged group is expected to transition to a new corporate identity.”

If the Merger is approved, implementation is expected to occur on 11 June 2015.

Retail sales

Novion’s shopping centre portfolio continued to report a steady improvement in specialty sales growth for the 12 months to 31 March 2015. Specialty sales in the comparable shopping centre portfolio reported moving annual turnover (MAT) growth of 3.4% over the prior year, an improvement on the 2.8% reported to December 2014 and 2.2% reported to June 2014.

Mr Michael Gorman, Deputy CEO and Chief Investment Officer, said: “The improvement in sales over the year was driven by strong growth during the March quarter. Quarterly specialty sales were up 5.0% on the prior corresponding period, the highest growth in quarterly sales for a number of years, underpinned by the notable performance of retail services, mobile phones, general retail, jewellery and food categories.”

For further details on MAT and quarterly retail sales for the Direct Portfolio, please refer to **Appendix 1**.

Wholesale fund transactions

Novion’s wholesale funds transacted on two assets in April 2015.

Novion Retail Partnership sold Myer Centre Adelaide for \$288 million to an offshore investor. The transaction is in line with the fund’s strategy and remains conditional on Foreign Investment Review Board approval.

Mr Gorman said: “We also announced, on behalf of Novion Enhanced Retail Fund (NERF), the completion of the acquisition of Lidcombe Shopping Centre, a sub-regional shopping centre currently being developed in the middle of metropolitan Sydney for \$60 million.”⁶ By acquiring the asset at this stage in development, NERF is able to share in some of the benefit of the development and, with the leasing being managed by the Novion team, we can ensure the best tenant mix and leasing outcomes for the project.

“Including Lidcombe, and a parcel of development land adjacent to Gateway Plaza in Leopold, Victoria that also settled in April 2015, NERF has six assets under management, with a current book value of over \$450 million, and an expected portfolio value of approximately \$600 million on the completion of proposed development projects.”

⁵ FY15 pro forma impact assuming the Merger was implemented on 1 July 2014 and total net P&L cost savings of approximately \$77 million p.a. are achieved (i.e. excluding \$7 million p.a. of capitalised cost savings). This also assumes a distribution payout ratio of 95% of underlying earnings for the merged group, compared to Novion’s current payout ratio of 100%.

⁶ Excluding acquisition costs and approximately \$60 million of capital instalments through to the completion of current building works.

Development

Novion has a development pipeline of \$1.3 billion, approximately \$550 million of which relates to the Direct Portfolio. Direct projects under construction have a development cost of approximately \$320 million (Novion share) with approximately \$250 million remaining to be spent.

Chadstone Shopping Centre, VIC – under construction

Construction of the \$580 million (Novion share \$290 million) redevelopment site at Chadstone Shopping Centre progressed significantly during the period.

The project involves the expansion and redevelopment of the northern end of the centre, including a revitalised West Mall and a world-class entertainment and leisure precinct featuring international flagship and luxury tenants around a central atrium. The new north retail precinct will include a state-of-the-art Hoyts digital cinema complex, up to five international flagship stores in 11,000 sqm of space, 40 additional retailers, and a new 1,300-seat, 20-plus tenancy food gallery. Target will also be relocated to the lower ground floor in a new 7,000 sqm store.

Concurrently, a 10-level, 17,000 sqm office building with four levels of basement parking is being built on the southern end of the site. Associated works will include the construction of a retail car park deck and a 14-bay centralised bus interchange.

In total, approximately 20,000 sqm will be added to retail GLA and 14,000 sqm (net) will be added to office NLA. Both the retail and office components are targeting 5 Star Green Star ratings.

The project is targeting an initial yield on completion of greater than 6%, with a target internal rate of return greater than 10% and is expected to open in stages through to completion by mid-2017.

Summary and outlook

Mr McNaughton said: “It has been a busy period for the team as we continued to execute on our priorities for FY15. We have maintained effectively full shopping centres, progressed the development of Chadstone Shopping Centre and the planning of other development projects, together with executing on a number of wholesale fund mandates.

“Our focus remains on achieving the final approvals for the Merger, including that of our Securityholders at the Meeting to be held later this month, while also continuing to advance integration planning for the Group should the Merger be approved and implemented. We also remain focused on ensuring that our business operations continue to be run efficiently and effectively for the remainder of FY15.”

Mr McNaughton concluded: “Our full-year FY15 distribution guidance remains 13.8 cents per security, assuming there is no unforeseen material deterioration to existing economic conditions. If the Merger is implemented prior to 30 June 2015, Novion Securityholders will not receive the expected 6.9 cents per security distribution from Novion for the second half of FY15. Instead, eligible Novion Securityholders will receive Federation’s distribution for the second half of FY15, which is expected to be equivalent to 7.0 cents per Novion security⁷.”

ENDS

⁷ Based on the exchange ratio of 0.8225 Federation Securities for each Novion Security held and Federation’s expected distribution for the second half of FY15 of 8.5 cents per Federation security.

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 \$14.9 billion in retail assets under management. Listed on the Australian Securities Exchange, Novion holds interests in 27 directly-owned retail assets across Australia, manages 20 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.

Appendix 1 – Retail sales for the Direct Portfolio

Total portfolio sales – by store type (March 2015 quarterly sales)

Retail sales by store type for the three months to 31 March 2015 are detailed below:

Store type	Comparable ⁸ quarterly turnover		Actual quarterly turnover	
	31-Mar-15 (\$m)	Annual growth (%)	31-Mar-15 (\$m)	Annual growth (%)
Department stores	86	(2.0)	136	(2.3)
Discount department stores	97	0.3	139	(0.2)
Supermarkets	254	1.3	401	1.9
Mini majors	93	0.7	178	5.9
Specialty stores	393	5.0	670	4.4
Other retail ⁹	76	(2.0)	117	(5.5)
Shopping centre portfolio¹⁰	999	2.0	1,642	2.2
DFO retail outlet centres	115	11.5	182	15.0
Total portfolio	1,115	2.9	1,823	3.3

Shopping centre specialty store sales – by category (March 2015 quarterly sales)

Retail specialty store sales by category for the three months to 31 March 2015 are detailed below:

Specialty store category	Comparable quarterly turnover		Actual quarterly turnover	
	31-Mar-15 (\$m)	Annual growth (%)	31-Mar-15 (\$m)	Annual growth (%)
Food retail	31	4.7	51	6.7
Food catering	66	4.1	99	1.3
Apparel	111	1.4	209	1.9
Jewellery	31	8.5	55	8.2
Leisure	22	1.0	39	1.1
General retail ¹¹	36	9.4	58	7.6
Homewares	33	1.7	68	3.5
Mobile phones	22	12.2	31	11.6
Retail services	40	12.5	61	10.3
Total specialty stores	393	5.0	670	4.4

⁸ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison. Chadstone Shopping Centre is not in the comparable basket post the December 2014 quarter due to development.

⁹ Other retail includes cinemas and sales reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

¹⁰ Excluding Myer Bourke Street, Emporium Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

¹¹ General retail includes giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Total portfolio sales – by store type (MAT sales)

Retail sales by store type for the 12 months to 31 March 2015 are detailed below:

Store type	Comparable MAT		Actual MAT	
	31-Mar-15 (\$m)	Growth (%)	31-Mar-15 (\$m)	Growth (%)
Department stores	404	(2.8)	633	(3.5)
Discount department stores	485	(3.8)	692	(3.8)
Supermarkets	1,057	0.3	1,663	(0.2)
Mini majors	412	0.6	764	1.8
Specialty stores	1,682	3.4	2,879	2.9
Other retail	296	0.6	456	(2.6)
Shopping centre portfolio	4,336	0.7	7,087	0.4
DFO retail outlet centres	495	7.6	780	25.6
Total portfolio	4,831	1.4	7,867	2.5

Shopping centre specialty store sales – by category (MAT sales)

Retail specialty store sales by category for the 12 months to 31 March 2015 are detailed below:

Specialty store category	Comparable MAT		Actual MAT	
	31-Mar-15 (\$m)	Growth (%)	31-Mar-15 (\$m)	Growth (%)
Food retail	126	1.0	208	3.3
Food catering	271	4.4	412	2.2
Apparel	496	(1.1)	930	(0.6)
Jewellery	137	4.0	236	2.7
Leisure	102	3.3	179	2.6
General retail	160	5.7	258	4.9
Homewares	140	0.4	290	3.4
Mobile phones	94	22.3	130	19.5
Retail services	154	9.5	236	8.6
Total specialty stores	1,682	3.4	2,879	2.9

Total portfolio sales – by centre (MAT sales)

Property	31-Mar-15 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	400	4.7	4,801
Broadmeadows Shopping Centre	272	(3.9)	4,996
Castle Plaza Shopping Centre	150	(1.6)	7,132
Chatswood Chase Sydney	543	3.2	9,475
Clifford Gardens Shopping Centre	198	(5.5)	7,697
Corio Shopping Centre	162	(1.0)	6,674
Eastlands Shopping Centre	224	3.0	7,001
Grand Plaza Shopping Centre	357	1.0	7,027
The Myer Centre Brisbane	344	(4.5)	5,593
Northgate Shopping Centre	132	4.1	7,461
Northland Shopping Centre	518	4.5	5,850
QueensPlaza	274	1.2	7,729
Rockingham Shopping Centre	476	(1.8)	8,357
Runaway Bay Shopping Village	286	2.8	8,006
Comparable	4,336	0.7	6,725
Development impacted centres			
Altona Gate Shopping Centre	129	4.7	5,651
Brimbank Shopping Centre	175	1.9	5,190
Chadstone Shopping Centre	1,424	(0.2)	9,966
Elizabeth Shopping Centre	339	(3.6)	5,996
Forest Hill Chase	291	2.2	5,445
Lake Haven Shopping Centre	256	(1.4)	8,040
Roxburgh Park Shopping Centre	136	1.5	6,646
Actual (total shopping centre portfolio)	7,087	0.4	7,040

Property	31-Mar-15 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ¹²	154	5.1	7,873
DFO Moorabbin	127	8.2	5,323
DFO South Wharf ¹²	214	9.0	7,278
Comparable	495	7.6	6,798
Development impacted centres			
DFO Homebush	286	76.9	9,705
Actual (total DFO retail outlet centre portfolio)	780	25.6	7,635

¹² Excluding Homemaker Hub as not all tenancies report sales.

Specialty store sales – by centre (MAT sales)

Property	31-Mar-15 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	161	7.7	6,914
Broadmeadows Shopping Centre	93	0.8	6,094
Castle Plaza Shopping Centre	43	1.2	8,772
Chatswood Chase Sydney	282	2.6	13,018
Clifford Gardens Shopping Centre	67	(1.2)	9,448
Corio Shopping Centre	44	1.8	5,604
Eastlands Shopping Centre	64	2.1	7,223
Grand Plaza Shopping Centre	111	5.1	9,333
The Myer Centre Brisbane	142	(1.3)	10,723
Northgate Shopping Centre	53	2.6	8,911
Northland Shopping Centre	238	6.6	8,302
QueensPlaza	146	6.5	20,382
Rockingham Shopping Centre	165	0.9	9,175
Runaway Bay Shopping Village	73	6.1	8,567
Comparable	1,682	3.4	9,224
Development impacted centres			
Altona Gate Shopping Centre	40	(1.1)	6,721
Brimbank Shopping Centre	44	8.1	5,441
Chadstone Shopping Centre	804	1.7	15,681
Elizabeth Shopping Centre	123	1.0	7,081
Forest Hill Chase	83	4.0	6,233
Lake Haven Shopping Centre	73	3.6	9,358
Roxburgh Park Shopping Centre	30	13.0	5,195
Actual (total shopping centre portfolio)	2,879	2.9	9,862

Property	31-Mar-15 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ¹³	144	4.7	8,229
DFO Moorabbin	110	7.4	5,815
DFO South Wharf ¹³	160	3.0	7,818
Comparable	414	4.7	7,281
Development impacted centres			
DFO Homebush	227	71.0	13,337
Actual (total DFO retail outlet centre portfolio)	641	21.4	8,674

¹³ Excluding Homemaker Hub as not all tenancies report sales.