



**March 2015
quarterly update**

6 May 2015



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|----------|-------------------------------|-----------|------------------------|
| 3 | Highlights | 9 | Strategic Partnerships |
| 4 | Merger proposal | 10 | Development |
| 5 | Australian retail environment | 13 | Summary and outlook |
| 6 | Retail sales | 14 | Appendices |



March 2015 quarterly update

Highlights

- Proposal to merge with Federation Centres (Federation) announced, presenting a **unique and compelling opportunity that creates significant value** for Novion Securityholders
 - A number of integration work streams have commenced
- Comparable specialty MAT sales growth **improved to 3.4%**
 - Underpinned by 5.0% growth for the March 2015 quarter
- Novion wholesale funds **transacted on two properties** in April 2015
- Significantly progressed the **redevelopment of Chadstone Shopping Centre** and advanced other planned projects



DFO Homebush, NSW

- Proposal to merge with Federation announced 3 February 2015 (the Merger)
- The Merger will create one of Australia's leading REITs with over \$22b in assets under management
 - the second largest listed manager of Australian retail assets¹
 - a top-10 listed manager of retail assets globally²
 - a top-30 entity listed on the ASX³
- On 26 March 2015, The Gandel Group 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
- Scheme Booklet released 15 April 2015
 - the Board of Novion unanimously supports the Merger and recommends that Novion Securityholders **vote in favour of the Merger**, in the absence of a superior proposal
 - the Independent Expert concluded that the Merger is **fair and reasonable to, and in the best interests of**, Novion Securityholders
 - an Extraordinary General Meeting and a Company Scheme Meeting will be held consecutively from 10.00am on 27 May 2015 (the Meeting)
 - debt financing arrangements (\$3.3b of unsecured bank loan facilities and a \$1.8b unsecured bridge facility) put in place to refinance all Novion and Federation debt if required
- Transition
 - a number of integration work streams have commenced
 - the merged group is expected to transition to a new corporate identity
- Implementation is expected to occur on 11 June 2015⁴

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

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

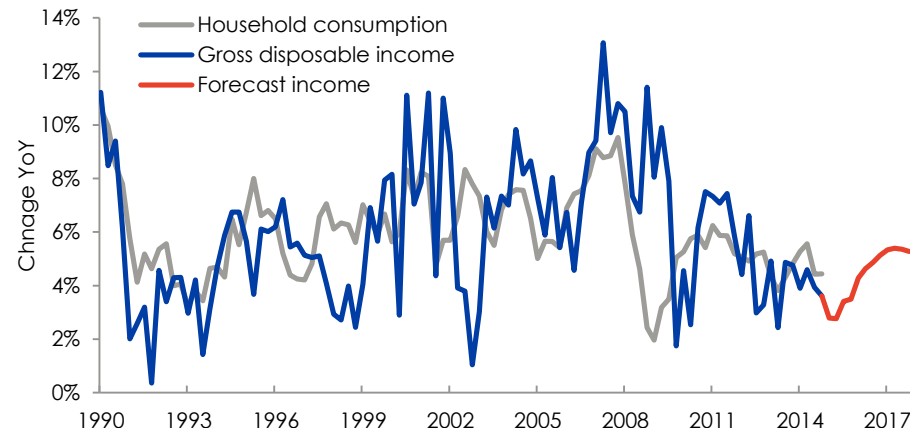
3. Based on the closing trading prices of ASX listed entities as at 4 May 2015.

4. Subject to Novion Securityholder approval and all Conditions Precedent being satisfied or waived (as applicable).

Headwinds – soft employment and income growth to inhibit sentiment and consumption

Household consumption and gross disposable income

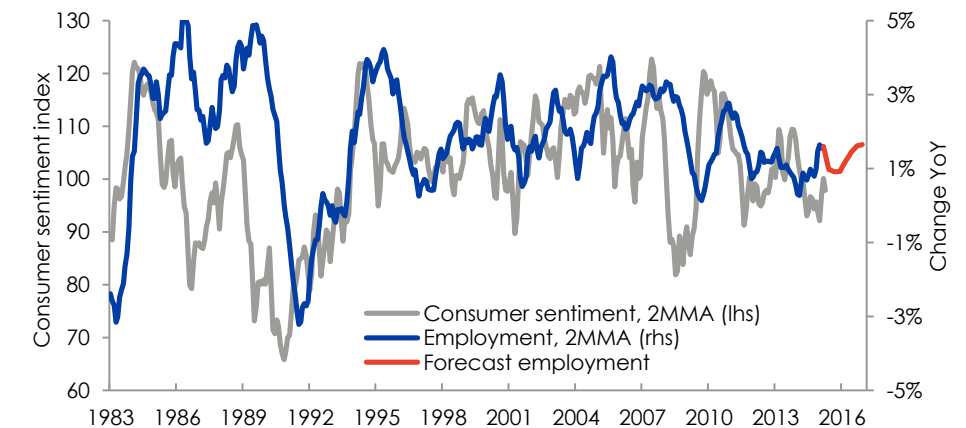
Quarterly to Dec-14



Source: Deloitte Access Economics, ABS and Novion Research.

Consumer sentiment and employment

Employment to Mar-15, sentiment to Apr-15

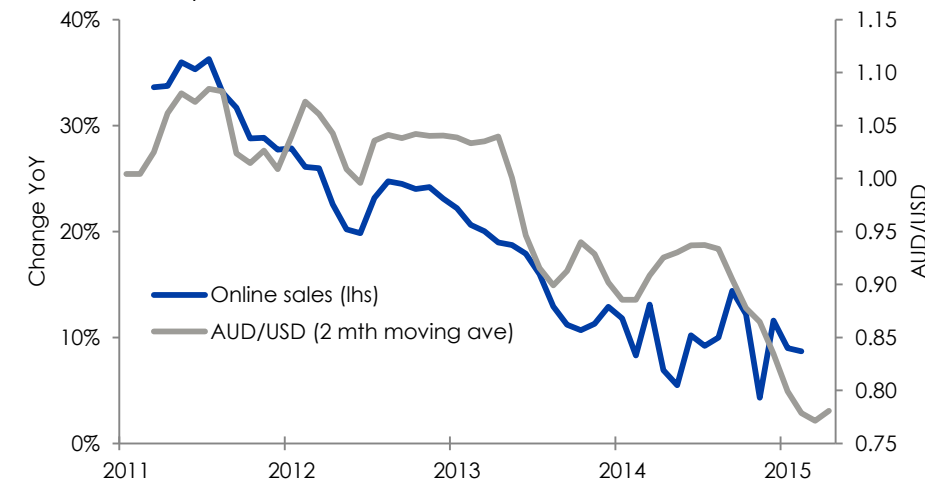


Source: Westpac-Melbourne Institute, Deloitte Access Economics, ABS, Novion Research.

Tailwinds – lower AUD to limit online sales growth and boost onshore tourism

Online sales and the AUD/USD

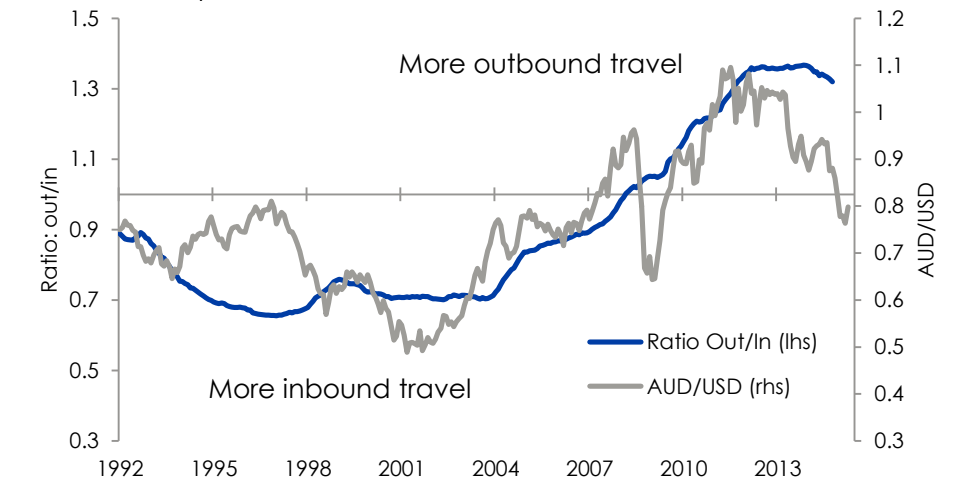
AUD/USD to Apr-15, online sales to Feb-15



Source: NAB, RBA and Novion Research.

Offshore travel and the AUD/USD

AUD/USD to April-15, offshore travel to Oct-14



Source: ABS and Novion Research.

Direct Portfolio – total retail sales

Portfolio sales growth driven by specialty stores and the DFO portfolio

Retail sales by store type For the year ended 31-Mar-15	Comparable ¹		Actual	
	MAT (\$m)	Growth (%)	MAT (\$m)	Growth (%)
Department stores	404	(2.8)	633	(3.5)
Discount department stores	485	(3.8) ²	692	(3.8)
Supermarkets	1,057	0.3 ²	1,663	(0.2)
Mini-majors	412	0.6	764	1.8
Specialty stores	1,682	3.4	2,879	2.9
Other retail ³	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

Note: Numbers may not total due to rounding.

Comparable specialty store MAT sales growth of 3.4%, up from 2.8% at Dec-14

- Majors sales remain weak²
- Specialty sales continue to steadily improve
- DFO portfolio continues to report solid gains

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. Wesfarmers and Woolworths reported 53 weeks sales in the prior year, compared to 52 weeks for the current year. Excluding this impact, discount department stores comparable MAT was -1.9% and supermarket sales were up 2.1%.
3. Other retail includes cinemas and sales-reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

Direct Portfolio – specialty retail sales

Most specialty store categories reporting steady growth

Sales by specialty category ¹ For the year ended 31-Mar-15	MAT (\$m)	Growth (%)
Food retail	126	1.0
Food catering	271	4.4
Apparel	496	(1.1)
Jewellery	137	4.0
Leisure	102	3.3
General retail ²	160	5.7
Homewares	140	0.4
Mobile phones	94	22.3
Retail services	154	9.5
Total specialty stores	1,682	3.4

Note: Numbers may not total due to rounding.

1. Specialty stores in comparable shopping centres. Chadstone Shopping Centre is not in the comparable basket post the December 2014 quarter due to development.
2. General retail includes giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.



Chatswood Chase Sydney, NSW

Direct Portfolio – specialty retail sales

Strong March 2015 quarterly sales underpin improving MAT growth

Sales by specialty category ¹ For the quarter ended 31-Mar-15	Quarter (\$m)	Annual growth (%)
Food retail	31	4.7
Food catering	66	4.1
Apparel	111	1.4
Jewellery	31	8.5
Leisure	22	1.0
General retail	36	9.4
Homewares	33	1.7
Mobile phones	22	12.2
Retail services	40	12.5
Total specialty stores	393	5.0

Note: Numbers may not total due to rounding.

The steady improvement in MAT was underpinned by a **stronger March 2015 quarter**

- Highest quarterly sales growth reported for a number of years

1. Specialty stores in comparable shopping centres. Chadstone Shopping Centre is not in the comparable basket post the December 2014 quarter due to development.

Strategic Partnerships

Transacted on two assets in April 2015



Artist's impression



NERF¹ bought Lidcombe Shopping Centre, NSW

- Acquired suburban Sydney asset for \$60m² with an additional \$60m payable in construction instalments through to completion
- Asset is currently being completely redeveloped into a 32,700 sqm sub-regional shopping centre
- Majors: Woolworths, Kmart and Aldi

1. Novion Enhanced Retail Fund.

2. Excluding acquisition costs.

3. Novion Retail Partnership.

NRP³ sold Myer Centre Adelaide, SA

- Sold for \$288m, at a premium to book value
- Asset fully refurbished prior to sale to maximise returns
- Remains subject to FIRB approval and the transaction is expected to be settled by the end of May 2015
- Sale in line with NRP's strategy

Development

Chadstone Shopping Centre – north retail and office



Artist's impression

Development cost¹

\$580m

Target initial yield

>6%

Target IRR

>10%

Construction commenced

June 2014

Target completion

Mid 2017

- Entertainment and leisure precinct around a central atrium
- New 7,000 sqm Target store
- New digital cinema complex
- Up to five international flagship stores
- Expanded luxury mall
- New 1,300-seat 20-plus tenancy food gallery
- New 17,000 sqm 10-level office building
- New 14-bay bus interchange
- Target 5 Star Green Star office and retail

1. Novion direct share: \$290m. Cost is indicative only.

Development

Chadstone Shopping Centre – north retail progress

- Project commenced in April 2014
- Construction commenced in June 2014

Progress

- Project awarded GBCA 5 Star Green Star Design Rating
- Target store temporarily closed in anticipation of new store opening in the September 2015 quarter
- Demolition commenced of Target, ground level food court and central atrium
- Both leasing and development works on program



Development

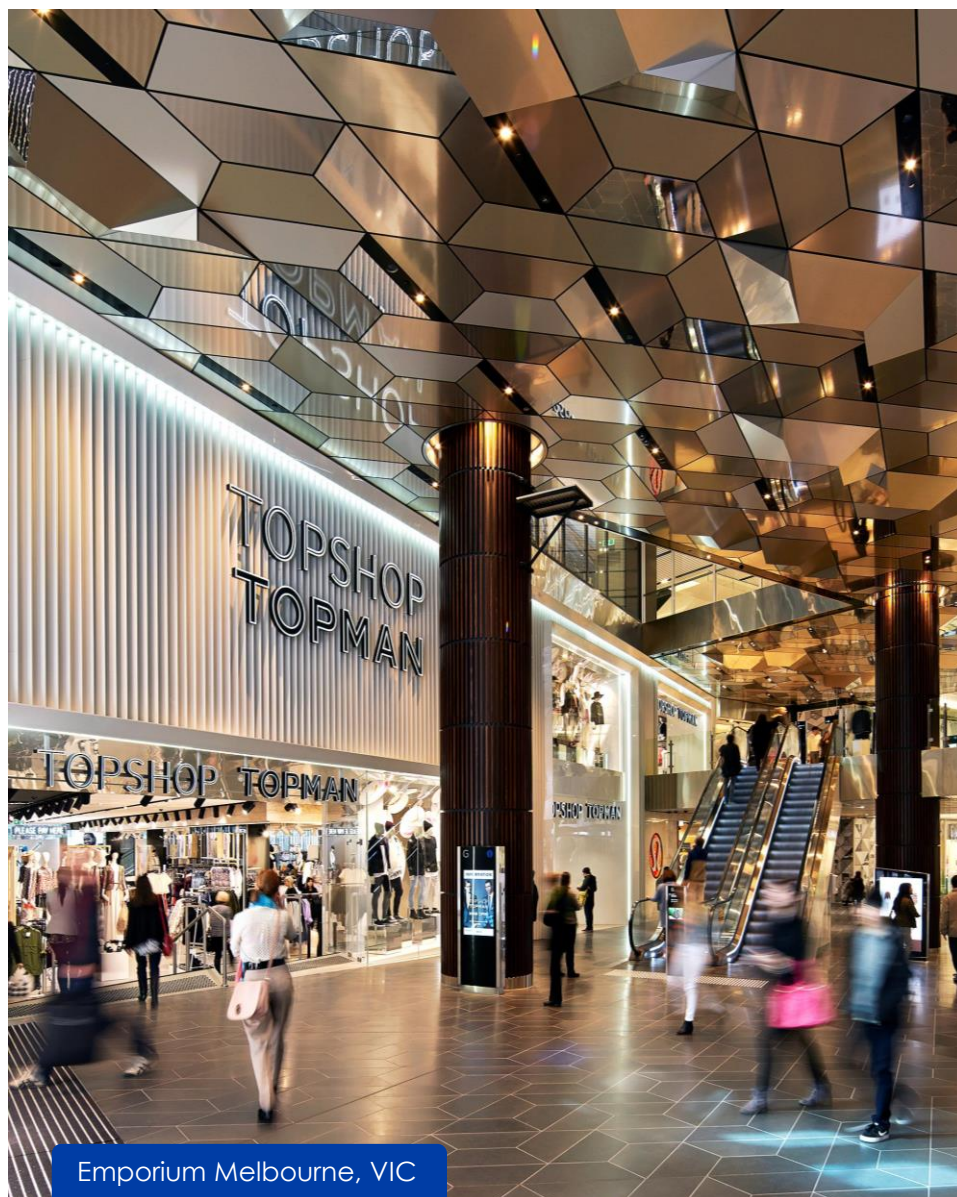
Chadstone Shopping Centre – office and bus interchange (south) progress

- Project commenced in April 2014
- Construction commenced in September 2014

Progress

- Office tower component approximately one month ahead of program
- Excavation, foundation piles and pile cap construction complete
- Structure and concrete pours to basement levels 30% complete
- New 14-bay bus interchange works on schedule for completion in the September 2015 quarter
- Myer car park deck construction brought forward to commence in June 2015 to target completion prior to Christmas 2015





Emporium Melbourne, VIC

- Committed to successfully completing the Merger
 - Focused on achieving final approvals
 - Continue to advance integration planning
- Remaining focused on 'business as usual'
 - Progressing the development of Chadstone
 - Fulfilling wholesale fund mandates
 - Optimising tenant mix, while maintaining a fully occupied portfolio
- DPS guidance for FY15 of 13.8 cps is maintained¹
- If the Merger is implemented by 30 June 2015:
 - FY15 guidance is approximately 13.9 cps
 - Novion Securityholders will not receive the expected 6.9 cps 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 security²

1. Assuming there is no unforeseen material deterioration to existing economic conditions.

2. 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.



Appendices

- 1 Merger
- 2 Development
- 3 Contact details



Appendix 1 – Merger of Novion and Federation

Timetable

Key dates	Date
Announcement of the Merger	3 February 2015
Scheme Booklet released to the ASX	15 April 2015
Meeting to approve the Merger	27 May 2015
Final court hearing ¹	29 May 2015
Implementation date ¹	11 June 2015

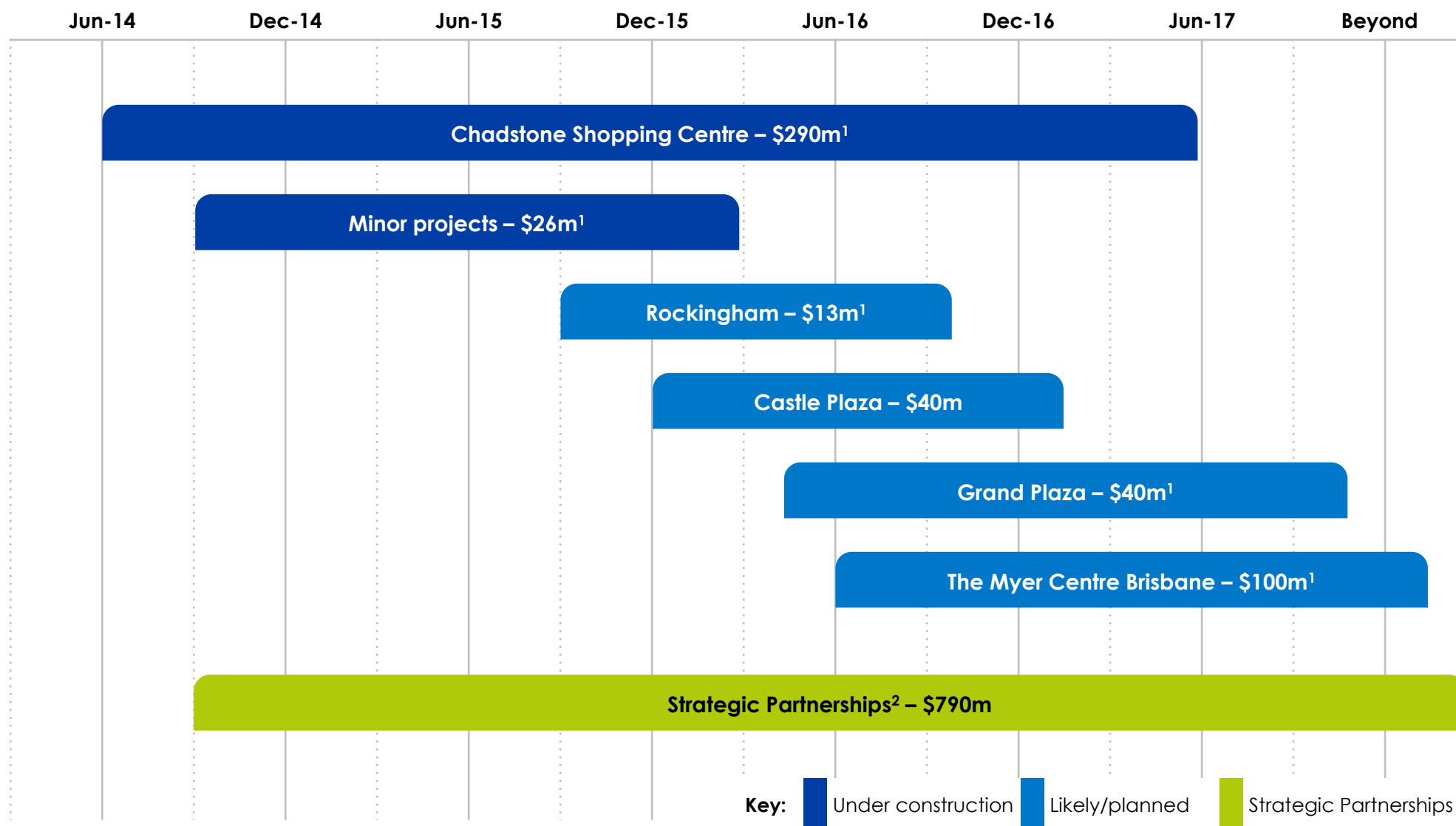
1. If the Merger is approved by Novion Securityholders and all other conditions precedent in connection with the Merger are satisfied or waived (if applicable), these key dates apply.
Note: these dates are indicative only and may be subject to change.



QueensPlaza, QLD

Appendix 2 - Development

Key development projects



1. Novion Direct Portfolio share.

2. Includes \$290m (Chadstone), \$13m (Rockingham), \$40m (Grand Plaza), \$100m (The Myer Centre Brisbane) and other wholesale fund, third party and minor jointly-owned projects.

Appendix 2 – Development

Key development projects

Project	Total cost (\$m)	Cost to complete ¹ (\$m)	Target yield ² (%)	Expected completion date
Chadstone (North retail and office)	290	239	>6	Mid 2017
Other projects ³	26	15	~8	Q2 2016
Strategic Partnerships	592	n.a.	n.a.	n.a.
Total in progress	908	254		
Direct Portfolio	230	230		
Strategic Partnerships	200	n.a.		
Total planned or concept^{4,5}	430	230		
Total development pipeline	1,338	n.a.		
Direct Portfolio development pipeline	546	484		

1. Direct Portfolio.

2. Yield based on first-year income after development completion.

3. Other projects in progress include Lake Haven \$7m, Rockingham \$3m, DFO South Wharf \$10m and Elizabeth \$6m, with all to be completed by Q2 2016.

4. Cost shown is indicative only.

5. Expected completion dates subject to approvals and timing.

Appendix 3 – Contact details and disclaimer



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

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