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## **CER Announces Sale of US Portfolio and Australian Portfolio Amalgamation Discussions**

### **Key points:**

- Blackstone to acquire the entire Centro Group US platform for a total enterprise value of approximately US\$9.4 billion
  - CER's US investments to be sold for approximately US\$4.3 billion
  - Represents a 1.3% discount to property book value at 31 December 2010
- CER's net proceeds of sale are approximately US\$500 million, including US\$38 million recovery from its investment in Super LLC
- Proceeds intended to retire recourse Australian debt resulting in CER's gearing reducing from 75% to approximately 43%
- NTA post US sale to remain unchanged at 41c per security
- Agreement reached to commence discussions with Centro Properties Group and certain Centro Australian managed funds around a potential amalgamation of the Australian investment portfolios

Centro Retail Trust ("CER") today announces a major achievement in its restructure and recapitalisation process, being the sale of its portfolio of US investments. In addition, CER has entered into an agreement with Centro Properties Group ("Centro"), Centro's senior lenders and other Centro Australian managed funds to pursue a potential amalgamation of various Australian asset owning funds.

### **US\$4.3 Billion US Portfolio Sale**

Following the completion of a competitive sales process, the Centro Group (including CER, Centro and the other relevant managed funds) has entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone) to sell the Centro Group's US assets, including its US management platform, for a total gross price of US\$9.4 billion. The value ascribed to CER's property portfolio (including Super LLC) was US\$4.3 billion, representing a 1.3% discount to property book value. Notwithstanding this discount, NTA has remained unchanged largely due to the recovery of \$US38 million from the investment in Super LLC which had previously been impaired to nil value.

CER's net proceeds of approximately US\$500 million are intended to be utilised to retire a significant portion of CER's maturing 2011 Australian debt facilities. As a result of these debt repayments, CER is forecast to reduce its current high book gearing of 75% to approximately 43% following the sale.

CER Chairman, Mr Peter Day said "After careful consideration of alternatives and multiple bids for the platform and individual portfolios, the offer from Blackstone was compelling and its acceptance was deemed to be in the best interests of CER securityholders. The completion of the sale will be a significant step for CER in its restructure and will significantly simplify its business model by becoming an Australian-only REIT with a high quality investment portfolio. The sale unlocks significant financial capacity which will be used to recapitalise CER."



Governance protocols and memoranda of understanding between CER, Centro and its managed funds setting out governance and due diligence measures operated throughout the sales process. This has enabled CER to assess the transaction as being in the best interests of its investors and to manage any related party issues.

The US sale contract contains conditions customary for a transaction of this nature, with the sale expected to close around the middle of 2011.

Mr Robert Tsenin, Chief Executive Officer of CER said "This is a significant milestone for CER. After embarking upon a restructure path a little over 12 months ago, we are extremely pleased to be able to announce the sale of our US portfolio at a very good price. The net proceeds to CER of approximately US\$500 million will significantly reduce CER's existing high leverage and will greatly assist CER in dealing with its considerable upcoming debt maturities in Australia."

### **Discussions commenced on potential amalgamation of CER's remaining investments with Centro's Australian asset owning Managed Funds**

CER has entered into discussions with Centro, Centro's senior lenders and other Centro Australian managed funds to work together towards agreeing an amalgamation of their respective portfolios to create a retail property portfolio of high quality, largely 100% owned Australian regional and sub regional shopping centres.

Mr Robert Tsenin, Chief Executive Officer of CER said "We look forward to discussions regarding a potential amalgamation of CER with other Centro-managed funds. The end result of an amalgamation could be the creation of a very attractive portfolio of high quality Australian assets and represents an exciting potential opportunity for all parties involved to unlock value through the creation of a simplified entity and removing the constraints arising from owning assets in a complex co-ownership structure. Further updates around a potential amalgamation will be provided to securityholders in due course."

Substantial further work is required around a potential amalgamation and at this stage there can be no certainty that it will occur.

UBS AG acted as Financial Advisor to CER. Clayton Utz and Weil, Gotshal & Manges LLP acted as Legal Advisors to CER.

### **About Centro Retail Trust (ASX: CER)**

Centro Retail Trust (CER) is a pure property trust specialising in the ownership of shopping centres. For more information, please visit the CER website at [cerinvestor.com.au](http://cerinvestor.com.au).

### **For Further Information**

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