

23 February 2011



Centro Retail Trust Half Year FY11 Results

Centro Retail Trust (CER) today announced a statutory net profit attributable to members of \$292 million for the half year ended 31 December 2010. Underlying Profit for the half year was \$61 million compared to \$81 million for the previous corresponding period.

Financial Statement Extracts (A\$m) Half Year to:	With Super LLC		Without Super LLC	
	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09
Net property income	231	244	135	139
Underlying profit*	61	81	22	31
Net profit attributable to members	292	197	292	197
Net Assets attributable to members	943	809	943	809
NTA per security (\$)	0.41	0.35	0.41	0.35

* Underlying profit has been determined in accordance with the AICD/Finsia principles for reporting underlying profit.

CER Chief Executive Officer Robert Tsenin said: "CER's net profit attributable to members for the first half of FY11 of \$292 million reflects the continued stabilisation of the environment in which we are operating. The higher Australian dollar resulted in a net \$228 million gain, primarily due to the close out of all except one of CER's equity hedge contracts during the period, with the remaining contract closed out in January 2011. This, coupled with positive revaluations across both the US and Australian portfolios for the first time since the onset of the financial crisis, has largely contributed to CER's \$292 million net profit for the half. The reduction in Underlying Profit, relative to the prior period, was primarily attributable to a full six month impact of higher margins on refinancings, lower US net property income and the translation impact on US earnings of a stronger Australian dollar".

Business Update

Mr Tsenin said that whilst CER has a portfolio of high quality shopping centres in both Australia and the US delivering solid underlying operating performance, it continues to face a number of significant challenges: "CER continues to be negatively impacted by both financial and structural issues and as stated previously, CER has too much debt. On a look-through basis CER's gearing ratio, excluding its investment in Super LLC which has been fully impaired, is 75%, which is significantly higher than our preferred level and the average across our peers. CER faces large refinancing needs in November and December this year, with \$942 million of Australian facilities and US\$876 million of US facilities falling due. Whilst the financing markets are improving, this remains a significant challenge given the leverage of the Company.

Operationally the macroeconomic environments in both regions have improved, however, in order for CER to maintain and enhance the quality of its portfolio, it needs greater access to capital. Accordingly, these capital constraints and gearing levels must be addressed as part of any restructuring or recapitalisation outcome."

As previously announced, during calendar year 2010, a number of confidential expressions of interest and proposals were received in respect of CER's assets and investments. Accordingly, CER agreed with the co-owners of its assets, including Centro Properties Group, to commence a competitive market process to formally evaluate interest in its Australian and US investments.

"Evaluation of indicative proposals received by CER and its advisors has been ongoing. At the same time CER has continued to consider other restructuring and recapitalisation alternatives, with the overriding objective of maximising value for CER securityholders.

The alternatives being evaluated by CER and its advisors are at a sensitive stage and span proposals to sell certain assets, through to recapitalisation. Due to both the commercial sensitivity of the discussions and their confidentiality, no further details can be provided at this stage, however, I assure you that significant progress is occurring and we, and our advisors, are working diligently to deliver the best outcome possible," Mr Tsenin said.

Property Portfolio Information

Property Portfolio	31 Dec 10	30 Jun 10
Australia		
Number of Properties	29	29
Comparable Portfolio Value	A\$1.6 billion	A\$1.6 billion
Comparable Stabilised NOI Growth	4.4%	4.3%
Total Occupancy	99.5%	99.6%
Retail Sales Growth (MAT)	2.4%	3.1%
Gross Lettable Area ('000 sqm)	377	380
US		
Number of Properties	382	382
Comparable Portfolio Value	US\$4.3 billion	US\$4.4 billion
Comparable Stabilised NOI Growth	-0.6%	-4.9%
Total Occupancy	89.4%	89.4%
Gross Lettable Area ('000 sqf)	44,332	46,982

At 31 December 2010, CER's look-through property portfolio comprised ownership interests in 411 centres valued at a total of A\$5.8 billion, 382 properties located across the US (US\$4.3 billion) and 29 across Australia (A\$1.6 billion).

Australian Portfolio

Centro General Manager of Property Operations for Australia Mark Wilson said: "The Australian CER portfolio has performed very well in the first half of FY11 despite a difficult operating environment for retailers. Comparable NOI growth of 4.4% was above our expectations from six months ago of 3%, and continues an upward trend in NOI growth over the last four reporting halves. Full occupancy has been sustained within the portfolio, and is a factor in achieving an excellent 6.7% increase in our rental renewal growth. Retail sales growth has continued to slow, but remains positive at 2.4% and our occupancy cost ratio of 14.4% continues to be sustainable and stable.

The CER portfolio continues to be well positioned with a heavy orientation towards non-discretionary retailers. Our Western Australian based centres continue to perform strongly in line with the broader Western Australian economy. Our strong exposure to Western Australia will also cushion any potential impact on our Queensland based centres from the recent adverse weather events."

While capital available to CER remains constrained, works at Centro Box Hill South have been completed, providing a lift in valuation and an improvement in the centre's tenancy mix and turnover. The repositioning of Centro Toombul has commenced and is generating strong interest from retailers eager to open at the centre. David Jones has now closed and fitout works for the new Target store have commenced with an opening scheduled for November this year.

“Our strategy for the remainder of FY11 and beyond is to build upon the strong fundamentals of the portfolio which are sustainable occupancy costs and near full occupancy, continually improving cost efficiencies and undertaking value creating property re-investment opportunities,” Mr Wilson said.

US Portfolio

Centro US CEO Michael Carroll said: “US retailers are continuing their slow recovery from the recession, with gains in retail sales spurring cautious optimism and expanding store openings by select retailers. However, the US market still lacks any clear signs of a strong economic and labour market recovery, with the consumer therefore still focused on value. As such and as expected, property level performance in the first half of the year was tempered.”

“In line with guidance, the US portfolio experienced a Comparable Stabilised NOI decline of 0.6% during the half, our narrowest decline since June 2008. Occupancy was on par with year-end at 89.4%. Overall, 670 leases were completed during the six month period, renewing and releasing 4.1 million square feet of space in the CER US portfolio. Rents were up 1.7% on comparable space, the first half in two years that we have reported positive leasing spreads,” Mr Carroll said.

Balance Sheet

CER’s net assets attributable to members at 31 December 2010 is now \$943 million, an increase of 23% compared with 30 June 2010. CER’s Net Tangible Assets (NTA) Attributable to Members at 31 December 2010 was 41 cents per security, up from 33 cents per security at 30 June 2010. The 8 cent increase has resulted from:

BREAKDOWN OF MOVEMENT IN NTA PER SECURITY	
Underlying Profit	\$0.01
Mark-to-market of derivatives	\$0.10
Asset Revaluations	\$0.02
FX Translation	(\$0.05)
Net Change	\$0.08

The appreciation of the Australian dollar in the first half of FY11 resulted in the close out of the majority of CER’s related party US dollar (USD) equity hedges with Centro at zero cost. Following the final contract termination that occurred in January 2011, CER’s net USD equity of US\$506.3 million is unhedged, in accordance with the revised policy announced in December 2010.

Property Valuations

Comparable Australian property values increased by 0.6% between June 2010 and December 2010. Minor softening in the weighted average capitalisation rate for the portfolio has dampened the full effect of continued NOI increases across CER’s Australian portfolio.

An increase in transaction activity in the US resulting from improving financing availability and low interest rates, is providing further support for a more stable valuation market. Valuations also reflect the improved outlook on the retail environment by the appraiser community. As a result, CER’s portfolio value in the US increased by US\$109 million or 2.6% between June 2010 and December 2010.

Debt Refinancing

During the half year ended 31 December 2010, CER extended or refinanced \$272 million of Australian debt and US\$1.7 billion of US debt. These extensions and refinancings comprised:

- US\$1.4 billion within Super LLC comprising a US\$695 million extension, US\$370 million new term loan and a US\$362 million refinancing as part of a Joint Venture with Inland American;
- A new US\$207 million CMBS within Centro GA America;
- A\$171 million CMBS refinancing and A\$101.3 million bank facility extension; and
- The extension of two smaller facilities within CWAR 1 and CWAR 5 totalling approximately US\$23 million.

As at 31 December 2010, CER's weighted average debt maturity was 3.8 years, although pending expiries in November and December 2011 are critical. With A\$942 million and US\$876 million of maturing facilities in Australia and the US respectively over the next year, CER is actively considering options to ensure all these facilities are appropriately addressed.

Important Notes and Supplemental Information

For complete details, including important footnotes, please refer to the CER Appendix 4D and Half Year Results presentation lodged with the ASX and supplemental information for CER's Australian and US property portfolios which have been posted to the CER website.

About Centro Retail Trust (ASX: CER)

Centro Retail Trust (CER) is a pure property trust specialising in the ownership of shopping centres. CER owns retail property investments in Australia and the US. For more information, please visit the CER website at cerinvestor.com.au.

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