

Responsible Entity  
**Centro MCS Manager Limited**  
ABN 69 051 908 984



**Centro Retail Limited**  
ABN 90 114 757 783  
**Centro Retail Trust**  
ARSN 104 931 928

29 August 2011

Dear Securityholder,

## **Major restructuring milestone**

### **CER proposal to participate in creation of new Australian Retail Property Vehicle**

I am writing to you to bring you up to date with the proposed restructure of Centro Retail Trust and Centro Retail Limited (together "CER"), which I and the CER Board believe is in the best interests of you, our investors.

CER announced on 9 August 2011 that it had entered into an agreement ("Implementation Agreement") with Centro Properties Group ("CNP"), the majority of CNP's senior lenders and certain other CNP managed funds to create a new, internally managed, Australian Retail Property Vehicle ("A-REIT") by combining the assets of CER with the assets of certain CNP managed funds, acquiring the funds and property management business of CNP and acquiring property and other assets from CNP and certain CNP managed funds ("Aggregation"). This announcement, a copy of the media script presented by CER's Chief Executive Officer, Robert Tsenin, and a full copy of the Implementation Agreement, have been publicly released to ASX and are available on CER's website, [www.cerinvestor.com.au](http://www.cerinvestor.com.au).

The sale of CER's US portfolio was a significant step in CER's restructure and recapitalisation process. The signing of the Implementation Agreement to facilitate the creation of the new A-REIT is another major milestone and one your Board and management are pleased has been achieved.

While the major terms of the Aggregation proposal have been negotiated and agreed, there are a number of outstanding matters to be resolved before we can present this proposal to you for your consideration and vote. We anticipate that a meeting of CER securityholders will be convened in mid October to consider the proposal.

The new A-REIT will comprise a \$4.4 billion portfolio of high quality retail properties as well as investments in, and management of, one of Australia's largest retail syndicate businesses which manages \$2.5 billion of retail assets. Based upon the projected net equity of \$3.3 billion, A-REIT is expected to be a top 100 ASX company and top 10 A-REIT at listing.

Aggregation, if approved, will provide CER investors with a direct exposure through a simplified ownership structure to a steady and stable income stream from a portfolio of quality Australian retail shopping centres, as well as an additional income stream from investments in, and management of, a well established retail syndicate business. The A-REIT portfolio is

predominately anchored by Woolworths and Coles supermarkets and other retailers catering to consumer's everyday spending needs. It will have the necessary size and scale to succeed in the Australian market, and the ability to strategically manage and develop its property portfolio to enhance long term value given renewed access to capital that has not been available to the Centro Group over recent years. The acquisition of Centro's services business will also mean that A-REIT will be internally managed.

By owning 100% interests in the majority of the shopping centre assets, as distinct from the predominantly 50% ownership interests CER holds today, A-REIT will have a significantly simplified investment structure.

Aggregation will provide additional benefits including:

- enabling strategic opportunities to be pursued within an improved capital structure and moderate initial leverage of around 40%;
- more competitive financing margins expected on borrowing against 100% interests in assets;
- simplified and transparent governance structure with internal management aligning interests of management with securityholders; and
- removing potential for conflicts of interests between co-owners.

Given that CNP is the owner of CER's responsible entity, Centro MCS Manager Limited, the property manager for CER's shopping centre assets and is the largest investor in CER, Aggregation also removes the significant uncertainty and risks that CER could face if CNP became insolvent and was placed in external administration.

### ***Various options considered***

Your Board has considered the options presently available for the restructure and recapitalisation of CER. This has been done independently of the rest of the Centro Group in order to ensure the interests of CER's investors are being fully protected and the value for CER's investors is being maximised. It has included a thorough review and extensive analysis of relative value, strategic considerations, execution risk and business risk of CER's available options. This has included taking separate professional advice from UBS, Clayton Utz, Maddocks and KPMG.

Among other options considered, CER participated in a formal competitive market process in November 2010 to gauge the interest of potential purchasers of all of the Centro Group's assets and businesses, including those of CER. While this process yielded a number of expressions of interest, it was determined that proceeding down this path would not deliver the best outcome for CER investors. Our conclusion was that Aggregation would deliver the best value for CER's assets with the least execution risk.

### ***Next steps***

While signing of the Implementation Agreement was a further significant step in restructuring CER, there are a number of important matters yet to be resolved in relation to the proposal, including the appointment of an A-REIT Chairman, Board and Chief Executive Officer and finalising terms of an

appropriate A-REIT financing package. Each of these items are well progressed and we hope to be able to inform you of further progress in the near future.

You will be provided with much more detail about the proposal in a CER Explanatory Memorandum containing Notices of Meeting, Proxy Form and the Independent Expert's Report, and an A-REIT Disclosure Document which will be sent to you. We expect this information to be available in mid September 2011, with a vote expected to occur in mid October 2011. In addition to your approval, the proposal will also be subject to the approval of various other parties including various CNP stakeholders, regulators, and the Court.

CER's directors are acutely aware that there has been considerable volatility for CER's investors over the past three and a half years. However, we believe that there is now a strong, viable long term option available that provides CER investors with the chance to maximise value through being part of a larger, better capitalised vehicle with the ability to add value through a portfolio of largely wholly owned assets, and at the same time removes many of the serious challenges and uncertainties that CER would be likely to face if it sought to remain in its current form.

In the absence of a superior proposal emerging prior to the scheduled CER Securityholders meeting, and subject to the opinion of the Independent Expert that the proposal is in the best interests of CER securityholders, the CER Directors (other than the CER Directors who are also CNP Directors, who make no recommendation) unanimously recommend that securityholders vote in favour of the proposal to participate in the new A-REIT. As outlined above, this recommendation is based on a detailed and considered review of the options presently available to CER. We encourage you to read the Explanatory Memorandum, Disclosure Document and the Independent Expert's Report when you receive them and support this proposed restructure.

In the meantime any inquiries should be directed to Investor Services on 1800 802 400 (Australia), +61 3 8847 1802 (International) or [investor@centro.com.au](mailto:investor@centro.com.au).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'W. Peter Day', with a long horizontal stroke extending to the right.

W. Peter Day  
Chairman