Responsible Entity
CPT Manager Limited
ABN 37 054 494 307

Centro Properties Group

Centro Properties Limited
ABN 45 078 590 682
Centro Property Trust
ARSN 091 043 793

23 March 2011

Dear Securityholder

Re: Centro announces US assets sale and major restructure developments

You may be aware that on 1 March 2011, Centro Properties Group ("Centro" or "CNP") announced a proposed restructure. There are three critical steps to this announcement which are summarised as follows:

- **US Assets Sale** – Following a competitive market process, Centro and its managed funds have 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 all of their US assets and platform for an enterprise value of approximately US$9.4 billion;

- **Headstock Debt Restructure** – Centro has agreed with holders of approximately 73% of Centro's senior debt ("Senior Lender Group") to progress a creditors scheme of arrangement to effect the cancellation of all Centro's senior debt in consideration for substantially all Centro's Australian assets. The Senior Lender Group has agreed that, subject to conditions (including all relevant approvals being provided for the creditors scheme and the amalgamation described below being implemented), $100 million will be made available for ordinary securityholders and other stakeholders who are junior to the senior lenders; and

- **Discussions of Australian Funds Amalgamation** – Centro has entered into discussions with its senior lenders, Centro Retail Trust (CER), and other Australian managed funds with a view to amalgamating their respective portfolios to create a listed fund ("Amalgamated Fund") owning a retail property portfolio of high quality Australian regional and sub-regional shopping centres. Centro's share of the Amalgamated Fund would be distributed to its senior lenders as part of the scheme of arrangement described above.

We have previously said that the capital structure of Centro is unsustainable in its current form. The Headstock Debt Restructure, if approved, will return Centro to a positive equity position and potentially allow Centro to return some value to its stakeholders.

Separately, for those managed funds of Centro which are involved in the funds amalgamation, likely to include CER, Centro Australia Wholesale Fund (CAWF) and the Direct Property Fund (DPF), this proposal will address capital structure issues and result in a stable and appropriately capitalised new entity with a leading Australian portfolio of retail centres, a market leader in retail syndicate funds management and a demonstrably strong property management team.

Further information on each critical step is provided below.

US Assets Sale

On 4 November 2010, Centro announced the commencement of a competitive market process to evaluate expressions of interest received in respect of Centro's businesses and assets. Following the completion of this competitive market process, Centro and its managed funds received a number of bids

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for its US platform and portfolios. After thorough due diligence and review of alternative proposals, Centro and its managed funds have entered into a binding stock purchase agreement with Blackstone (subject to conditions described below) to sell the group's US assets and its US Services Business. The sale is expected to close around the middle of 2011.

Centro's US platform is being acquired for an enterprise value of approximately US$9.4 billion, including the US real estate assets acquired at a 1.3% discount to 31 December 2010 book values, with value also being attributed to the US Services Business and other net tangible assets. The total equity proceeds for Centro, Centro Retail Trust and its other managed funds are US$1.38 billion.

The financial impacts to CNP from the US sale are:

- **Net proceeds and debt repayment** – Proceeds that will flow to CNP from its direct US property investments and equity investments in managed funds likely to be wound-up as a result of the US sale, are anticipated to be approximately US$600 million, facilitating the repayment of debt.

- **Impact on net tangible assets** – As at 31 December 2010 CNP had net tangible assets attributable to members of negative $2.43. The 1.3% discount plus transaction costs will result in a reduction in net tangible assets attributable to members of $0.08 per security. This would cause net tangible assets attributable to members to move to negative $2.51.

The US sales contract contains conditions customary for a transaction of this nature.

Governance protocols and memoranda of understanding between Centro and its managed funds setting out governance and due diligence measures were observed during the process. This has enabled each fund to assess the transaction as being in the best interests of its investors and to manage conflicts.

Headstock Debt Restructure

Centro and its Senior Lender Group have entered into a Heads of Agreement to effect a restructure of Centro's headstock debt facilities.

As part of this debt restructure, the Senior Lender Group have agreed to make available $100 million to be applied for the benefit of ordinary securityholders and other stakeholders who are junior to the senior lenders, as determined by the Centro Board of Directors. The Centro Board of Directors believe this amount is the best outcome that can be achieved for stakeholders in the circumstances having regard to Centro's negative net asset position, impending substantial headstock debt maturities of $3.1 billion before 31 December 2011, and following extensive and prolonged negotiations with the Senior Lender Group.

Stakeholders should be aware that the Headstock Debt Restructure, and therefore receipt of these funds, is contingent on a number of events occurring, including the amalgamation of the Australian funds in a form acceptable to the Senior Lender Group, and relevant stakeholder approvals being obtained once the transaction structure is finalised.

On completion of the debt restructure, all Centro's external senior debt would be extinguished, and Centro would have no substantial assets other than a cash sum of up to $100 million.

An Independent Expert will be appointed to opine on the transaction for the benefit of securityholders.

Proposed Amalgamation of Assets of Centro, CER and Centro's Australian Asset Owning Managed Funds

Centro has entered into discussions with CER, CAWF, DPF and certain Australian Centro MCS syndicates to aggregate the assets of the funds following the completion of the US assets sale. The proposed amalgamation would aim to create a premier portfolio of Australian regional and sub-regional shopping centres.

Substantial further work is required to finalise and implement a funds restructure. At this stage, there can be no certainty that it will occur, in precisely what form or of the composition of the entities which will ultimately form part of the Amalgamated Fund.

Additional Comments

These steps represent major milestones for Centro and its managed funds. Based on the detailed and complex restructure analysis we have undertaken, we believe that these outcomes represent the best possible solution for all stakeholders.

We announced the sale of our US assets after the completion of our competitive market process. We carefully reviewed and analysed all bids for our entire US platform as well as individual portfolios and the final bid from Blackstone represented the best offer for our stakeholders. While the US assets can be expected to benefit from the US recovery from out of its deep recession, the assets would require considerable further capital expenditure in the interim, capital that Centro does not have.

As we have previously stated, in view of Centro's 31 December 2010 equity position of negative $1.6 billion and the 15 December 2011 maturity of its senior debt facilities, we did not underestimate the challenge of delivering value to all stakeholders through this process. The $100 million to be made available for ordinary securityholders and other stakeholders who are junior to the senior lenders is the result of intensive negotiations between Centro and its lender group, but remains contingent on a number of conditions.

The thorough and rigorous restructure process we have undertaken with our advisers, and working constructively with our lenders and their advisers, has resulted in this outcome, which we believe delivers the maximum value to all stakeholders.

While it will no longer be held for the benefit of Centro stapled securityholders, the potential amalgamation of the group's Australian property and management interests could be a very attractive, stable and appropriately capitalised new fund. It would also enable the Amalgamated Fund to preserve its leading Australian property portfolio and syndicate and property management business. There are significant organic development opportunities embedded within the portfolio that could be undertaken following an amalgamation with an appropriately capitalised balance sheet.

In order to obtain the commitment of the senior lenders that $100 million will be made available for ordinary securityholders and other junior stakeholders, Centro has agreed with the Senior Lender Group that if the necessary approvals are not obtained to implement the Fund Amalgamation and the Headstock Debt Restructure despite the best endeavours of the parties, Centro will work with the Senior Lenders to implement a transaction by alternative means. In that case, the $100 million would not be available for ordinary securityholders and other stakeholders which are junior to the senior lenders.

Centro cautions that the structuring of these transactions is not yet complete, and they are subject to a number of conditions and all relevant approvals being obtained. Until all conditions are met, there can be no assurance that any transaction will take place. Centro stapled securityholder approval will be required. Until the transaction structure is finalised it is not possible to be definitive about what other approvals, if any, are required.

I appreciate that these transactions are complex. Should you have further questions, please do not hesitate to contact our Investor Services team on 1800 802 400 or investor@centro.com.au.

Centro will continue to update securityholders with further information as appropriate.

Yours faithfully,

Paul Cooper
Chairman