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Centro Group announces restructure agreement
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Welcome and thank you for your participation on this call. I also have with me the Chairman of Centro Retail Trust (CER), Peter Day and the Chairman of Centro Properties Group (CNP), Paul Cooper. I will make some introductory comments on this very important announcement for the Centro Group and then open it up for any questions.

OVERVIEW

- As anyone who understands the Centro Group will appreciate, of necessity any restructuring and recapitalisation of the Group will be extremely complex and it is! Interested parties should go to our website to get all the details of the proposed Restructuring. I will try in broad terms to summarise the key aspects of the Group-wide Restructuring proposal we announced today which we will be putting to the Group's stakeholders for approval in October.
- Following the sale of the US assets and business, the Group consists of two listed entities (CNP and CER), 27 Syndicates and two unlisted funds (Centro Australia Wholesale Fund (CAWF) & Direct Property Fund (DPF)). There is a web of co-ownership at an asset level, cross shareholdings at a fund level and external investors in all the funds (either directly or indirectly). So of absolutely crucial importance was the governance process the Group's entities followed to ensure that the interests of all parties were appropriately considered. As when CNP, CER, Centro America Fund (CAF) and six of the Syndicates sold their US assets and business, a rigorous process was followed for each fund as each considered the proposed Restructuring. 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 included separation of the management team, and independent financial and legal advisers were appointed which enabled each fund to assess the Restructuring proposal as being in the best interests of its investors and to manage conflicts.
- Our restructuring roadmap was outlined on 1 March 2011 when we announced that:
  - CNP and certain of its managed funds had entered into a binding contract to sell their US assets and business for US$9.4 billion;
  - CNP had entered into a Heads of Agreement with its Senior Lenders for a cancellation of its senior debt and in exchange for which the Senior Lenders would receive substantially all of the Australian assets and interests of CNP subject to certain conditions; and

  - The Heads of Agreement was also signed by a number of Centro's managed funds and they agreed to work towards a potential amalgamation of the funds' and CNP's Australian assets with the objective of creating a large, liquid A-REIT ("Aggregation")

- The sale of the Group's US assets was completed on 29 June 2011. This was a critically important achievement and it has allowed for:
  - a partial repayment of CNP's Senior Debt;
  - the repayment of approximately US$8 billion of property and Super LLC debt maturing in the US;
  - a significant de-gearing and recapitalisation of CER; and
  - liquidity to external investors of the US Syndicates and DPFI
- Today we have announced the achievement of another important milestone in the resolution of Centro Group's restructuring needs.
- CNP, CER, CAWF and the DPF as well as more than 83% of CNP's Senior Lenders have entered into an Implementation Agreement which sets out the commercial terms of the Aggregation (i.e. merger) of the Group's Australian assets and cancellation of CNP's senior debt, specifically:
  - Aggregation of CER, CAWF and DPF into a new ASX listed Australian property trust, which I will refer to as A-REIT;
  - CNP will contribute its Australian assets and Services Business to A-REIT, in exchange for scrip;
  - Senior Lenders to CNP will cancel all CNP's senior debt for substantially all CNP's Australian assets and interests (being CNP's approximate 68% interest in A-REIT), subject to certain conditions. This will be effected by way of a creditors scheme of arrangement; and
  - Subject to all relevant junior stakeholder and aggregation approvals and conditions being satisfied, $100 million will be made available to CNP's junior stakeholders, including CNP securityholders
- The purpose of the Implementation Agreement is to commit each party to proceed with the Aggregation and to complete the steps necessary to implement the Aggregation.
- After conducting a rigorous and independent assessment process, each party to the Aggregation is of the view that Aggregation represents the best outcome for their respective stakeholders.
- The Implementation Agreement is subject to a number of important conditions including approval by votes of CNP and CER securityholders. I will come back to these conditions precedent shortly.
- A-REIT will comprise:

- $4.4 billion portfolio (43 assets) of high quality regional and sub-regional retail properties;
- Investments in, and the management of, Australia's largest retail Syndicate business comprising a further $2.5 billion portfolio (57 assets); and
- Total tangible assets (including the above mentioned investments in Syndicates) of over $5 billion.

- Key benefits of the new A-REIT include:
  - Significant platform size and scale – in terms of gross lettable area, A-REIT will manage 1.7 million square metres, making it Australia's second largest manager of retail shopping centres which is important to retaining relationships with key retailers and achieving the benefits of being able to deal with those retailers on a national scale;
  - A simpler governance and internal management structure in that almost all of the retail centres will be 100% owned by A-REIT or Syndicates managed by A-REIT and A-REIT will be internally managed with a simplified organisational structure;
  - A sustainable level of gearing and debt maturity profile. We expect the LVR to be approximately 40% (calculated as secured debt to directly owned property assets). Discussions are well progressed with new and existing financiers for the A-REIT financing;
  - A sustainable earnings profile with a first year earnings yield (on net assets including intangibles at inception) expected to be around 6%;
  - The potential for strong long-term value enhancement through the strategic management of the property portfolio, including capitalising on a pipeline of internal development opportunities of over $500 million over the next four years; and
  - With net equity of approx $3.3 billion, A-REIT is expected to be a top 100 ASX listed entity.
- We believe the restructure and recapitalisation of the Centro Group is an important event for investors, employees, tenants and suppliers to the Group and would return the Group to a stable position from which it can again prosper:
  - As we have previously said, CNP as at December 2010 had negative equity of $1.6 billion, and has senior debt of $3.1 billion maturing in December 2011 and there is no realistic way this debt can be repaid other than through the Senior Lenders Scheme of Arrangement.
  - Without the proposed restructuring, it is most likely that CNP would be placed in administration. The implications of this for the other Centro Managed Funds, tenants, suppliers and employees cannot be predicted with any accuracy other than that there will be an indeterminate period of considerable uncertainty.

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- o Although CNP's investors will not receive scrip in A-REIT, the structuring gives them an opportunity to share in the $100 million which is being made available to CNP's junior stakeholders, provided all relevant approvals are obtained.
- o For these reasons the Boards of CNP and CER and the responsible entities of the Managed Funds are unanimously of the view that a solvent solution is the preferable outcome for all parties and for that reason we believe the Implementation Agreement is in the best interests of all parties [the Aggregating Funds (CER, DPF and CAWF) and the CNP stakeholders who are junior to the Senior Lenders (CNP securityholders, Hybrid Holders and Convertible Bond Holders)]

- The basic principle of the Aggregation is that CER, CAWF, DPF and CNP will contribute their assets based upon 31 December 2010 valuations, with certain working capital and other items to be adjusted for 30 June 2011 or the date of Aggregation as appropriate. This is consistent with the basis on which discussions on the potential amalgamation were entered into per the 1st March announcement.
- The actual mechanism to achieve Aggregation will be by means of stapling CER, CAWF and DPF Holding Trust, a wholly owned subsidiary fund of DPF. The CNP assets (including the Services Business) will be effectively acquired by A-REIT unencumbered of the current senior debt obligations.
- Based upon this principle, the estimated ownership of A-REIT will, upon implementation of Aggregation and the senior debt creditors' scheme, be as follows:
    - o Current CNP senior lenders will own approximately 68% of securities (which reflects the value of the assets to be contributed by CNP as well as the investments CNP currently owns in CER, CAWF and DPF). Importantly, the Senior Lenders will receive the securities on a pro-rata basis to their senior debt holdings, with no one Senior Lender currently expected to hold more than 13% of A-REIT, and no Senior Lender will be able to hold more than 20% at the time the restructure is implemented due to takeovers regulation requirements.
    - o Current external (i.e. non-CNP) CER investors will own approximately 15% of securities; and
    - o Current external DPF investors will own approximately 17% of securities (assuming all DPF investors elect to redeem their DPF units for A-REIT scrip, rather than cash as discussed further in the DPF section later).
- The Implementation Agreement has different implications and benefits for each of CNP and the Managed Funds.

CNP IMPACT

- For CNP the Implementation Agreement provides:
  - Confirmation that more than 83% of CNP's Senior Lenders have agreed that its senior debt of $3.1 billion, which is due to mature on 15 December 2011, will be cancelled in return for securities in A-REIT representing substantially all of the assets of CNP including CNP's Services Business and its investments in CER, CAWF and DPF. This will be effected by a creditors' scheme of arrangement;
  - Subject to the relevant approvals and conditions, the Implementation Agreement binds Senior Lenders holding more than the threshold value of 75% senior debt required in a creditors scheme of arrangement, meaning that the 75% by value requirement (which applies as well as the requirement of 50% of those who vote) for the creditors scheme would be met;
  - The Senior Lenders to CNP which have signed the Implementation Agreement, to the extent that they are Hybrid Holders, have agreed to vote their interests in the hybrids in favour of the transaction (representing approximately 49% of Hybrid Holders);
  - CNP will vend its Services Business to A-REIT for approximately $200 million, representing the goodwill attributable to that business for both the internalisation of funds and property management functions as well as the external funds and property management of the Syndicate business. The businesses contributed will include the relevant contracts, employees, and other relevant asset and liabilities (receivables, employee entitlement provisions etc). CNP is also vending in non recurring receivables relating to accrued rollover, performance, wind-up and deferred responsible entity fees related to the Syndicate business totalling approximately $40 million (in addition to the $200 million described above). There are appropriate provisions in place such as conditions precedent and in some instances price adjustment mechanics in the event that the management of some Syndicates is not delivered to the A-REIT.
- CNP securityholders will be asked to support the proposal at an investor meeting and, if it is approved and all other conditions are met, they and the Hybrid Holders and Convertible Bond Holders (collectively the "junior stakeholders") will share in $100 million of cash (after allowance for $10 million to be retained for potential contingent creditors who are not required to vote on the transaction) which Senior Lenders have agreed will be made available. Approval of the Restructure by CNP securityholders, Convertible Bond Holders and Hybrid Holders, as well as other Aggregation approvals and conditions will need to be satisfied in order for the $100 million to be delivered to the junior stakeholders and potential contingent creditors – they are interconditional on each other's approval, meaning if any one or more junior stakeholder group (except the potential contingent creditors) does not support the proposal no junior stakeholders will receive any of their share of the $100 million.
- The $100 million is to be made available if all relevant conditions are met. This sum is the result of intensive negotiations between Centro and its Senior Lenders in the context of Centro's negative net equity position and the December 2011 maturity of its senior debt

facilities. One should not underestimate the challenge of delivering value to all stakeholders, and particularly CNP junior stakeholders, through this process in the overall context that the Group faces.

- The CNP Board has determined the allocation of the $100 million as follows:
  - $48,925,082 in total or 5 cents per security for CNP securityholders, a 7% premium to the last traded price[1];
  - $21,074,918 in total or 5 cents in the Australian dollar[2] for Convertible Bond Holders;
  - $20,000,000 in total for Hybrid Holders, noting approximately 49% of holders who also hold senior debt have committed to support the Hybrid proposal; and
  - $10,000,000 to be set aside for potential contingent creditors, on the basis that any surplus not used will be returned to the Senior Lenders.
- In considering how to allocate the $100 million among the junior stakeholders, the Board faced a difficult decision given that no junior stakeholder will receive their portion of the $100 million unless all junior stakeholder votes are passed, and that, with a finite amount to allocate, the expectations of all junior stakeholders are difficult to satisfy.
- Ultimately the allocation to junior stakeholders including 5 cents per security to CNP securityholders represents what the CNP Board believes to be a fair allocation based on a consideration of all relevant factors, such as the history and nature of the respective instruments, recent market pricing, and the need for all junior stakeholder groups (except potential contingent creditors) to approve the transaction.
- It is therefore in the interests of all junior stakeholders to support a solvent restructure of CNP as it is the only prospect for junior stakeholders to recover any value.
- It is a stark choice for CNP junior stakeholders as the alternative to agreeing to the proposed terms of the Restructure is that CNP would likely be placed in external administration. Given the negative net equity in CNP of $1.6 billion as at 31 December 2010, and despite some modest valuation improvements over the past 6 months, CNP's net equity continues to be significantly negative. With the pending maturity of $3.1 billion of senior debt on 15 December this year, if the CNP junior stakeholders vote against the recommendations, these junior stakeholders would be unlikely to receive any consideration.
- The Board of CNP therefore believes that this is the best outcome for CNP stakeholders as it is the only means of delivering any value to CNP securityholders and other stakeholders who are junior to the Senior Lenders.
- If the restructure is approved by junior stakeholders, and all other conditions are met, the amounts I mentioned earlier will be paid to the junior stakeholders. After that, CNP itself will

[1] CNP securities last traded on 5 August 2011

[2] Rounded to the nearest cent with the Convertible Bond face value of US$444m in current A$ terms (A$427m) on US$1:A$1.04

continue to exist as an entity in order to manage certain remaining activities, essentially wind-up activities that will not be transferred to A-REIT. Existing CNP securityholders will receive no further economic benefit for their CNP securities other than their share of the $100 million referred to earlier in this section.

- In order to obtain the commitment of the Senior Lenders that $100 million will be made available for CNP securityholders, Convertible Bond Holders, Hybrid Holders and potential contingent creditors, the Centro parties to the Aggregation have negotiated a further period of up to 58 days or longer if extended by agreement (Extended Aggregation Period) to allow the relevant conditions precedent for Aggregation to be satisfied, or to achieve the Senior Debt Scheme and the sale by alternative means. All parties will continue to use their commercially best endeavours to satisfy the conditions precedent during that period. In this case, the $100 million would not be available for CNP securityholders and other stakeholders who are junior to the Senior Lenders. In that case, a portion of CNP's senior debt will remain which is expected will exceed any remaining assets in CNP.
- CNP Directors unanimously recommend the proposed Restructure as the best option that has been able to be achieved for CNP securityholders.

CER IMPACT

- From a CER perspective:
  - Its economic and property interests will effectively be combined into A-REIT by way of stapling and CER securityholders will receive equity in A-REIT in proportion to the value of the net assets CER contributes.
  - Although CER, as an entity within the stapled group, will continue to own its own assets, with the various owners of the assets stapled together, A-REIT will be able to manage them as if they were wholly owned property assets. The Aggregation will therefore free CER from the complex property and ownership structures of the past and allow its investments to be managed like 100% ownership interests. This will facilitate necessary reinvestments in assets, take advantage of development opportunities and obtain more competitive financing.
  - A-REIT will be internally managed, as well as being a larger and hence more liquid fund which, other things being equal, will improve the attractiveness of A-REIT securities relative to CER's current securities; and
  - Aggregation also removes the uncertainty and risks that CER could face if CNP became insolvent, arising from the fact that CNP is a majority investor in CER, a provider of property and funds management services to CER and is property and fund manager to CAWF, the co-owner of the majority of CER's assets.
- CER investors will be asked to vote on the Aggregation (the proposed resolutions are not yet finalised but will include an approval requirement of more than 50% approval by value of those present and voting at the meeting, on which CNP and DPF cannot vote their

respective interests). In the event that CER investors vote in favour of the proposal and all other consents and conditions are obtained, Aggregation will proceed. In the event that CER investors vote against the proposal and/or all of the other consents and conditions are not obtained and Aggregation cannot be delivered through alternate means, then CER investors will retain their existing investment in CER. It should be noted, however, that all of the uncertainties for CER that I referred to earlier would remain and the future for CER would be uncertain.

- Following a rigorous assessment of all feasible options for CER by the Board of CER (including unanimous approval by the CER Directors who are not also Directors of CNP) and its advisors, Aggregation is considered to be in the best interests of CER securityholders.

CENTRO AUSTRALIA WHOLESALE FUND (CAWF) IMPACT

- For CAWF, Aggregation delivers to CAWF's investors securities in A-REIT proportionate to the value of assets CAWF vends to A-REIT.
- CAWF's investors are CNP (49.98%), DPF (49.90%) and CER (0.12%). DPF and CNP have expressed a strong need for liquidity either to meet maturing debt in the case of CNP or, in the case of DPF, DPF's desire to provide liquidity to its investors who have had their fund frozen for over three and a half years.
- CAWF's responsible entity explored other alternatives, but with the assistance of its independent financial and legal advisers concluded that Aggregation was the best means to deliver liquidity to its investors. This is because investors will receive securities in a stable, well resourced A-REIT that has mostly 100% ownership of good quality assets and a sound level of gearing. In addition, as a result of the ASX listing, investors will be able to determine if and when they chose to liquidate their investment.
- Additional benefits include the significant development pipeline in A-REIT that will, over time, enhance growth prospects. In addition, Aggregation mitigates the risk of an insolvent substantial shareholder, an insolvent responsible entity and property management entities in the event CNP is placed in administration / receivership.
- CAWF's participation in the Aggregation is subject to the approval of the CAWF unitholders as it relates to the stapling of CAWF to DPF Holding Trust and CER.

DIRECT PROPERTY FUND (DPF) IMPACT

- For DPF, Aggregation provides a number of benefits similar to those described above for CAWF, as well as specifically:
  - o The unwind of the CRIT structure for net asset value consideration;
  - o A-REIT will be listed on the ASX and will therefore have greater access to capital and financial flexibility than DPF currently has; and

    - Subject to further consideration by the Board, an opportunity for DPF unitholders to elect to receive A-REIT securities or cash (i.e. by way of a sale facility).

- DPF's responsible entity explored other alternatives, but with the assistance of its independent financial and legal advisers concluded that Aggregation was the best means to deliver liquidity to its investors. This is because investors, if they elect to redeem their DPF units, will receive scrip in a stable, well resourced A-REIT that has mostly 100% ownership of good quality assets and a sound level of gearing. In addition, as a result of the ASX listing, investors will be able to determine if and when they chose to liquidate their investment.
- Structurally, DPF itself will not "staple", but a wholly owned sub-trust ("DPF Holding Trust") will be stapled to CER and CAWF. The DPF will receive securities in A-REIT for its investments in CER and CAWF.
- DPF's participation in the Aggregation is subject to an Independent Expert report and the internal approval of the DPF RE as it relates to the stapling of DPF Holding Trust to CER and CAWF.

SYNDICATE FUNDS IMPACT

- There are a number of benefits to Syndicate investors resulting from the Aggregation including:
    - The sale of CNP's Services Business to A-REIT will result in a change of responsible entity and property manager thereby avoiding the uncertainty of the current responsible entity, CPT Manager, becoming insolvent and triggering a review event of Syndicate secured debt arrangements;
    - Maintain access to a stable national property management and leasing platform;
    - Improved ability to negotiate advantageous terms on loan refinancing;
    - The opportunity for investors to have A-REIT as their counterparty under the Flexible Exit Mechanism ("FEM") provisions instead of CNP, providing investors in these Syndicates more certain liquidity solutions at the end of Syndicate terms; and
    - The successful Aggregation will generally provide a more stable environment and improved investor confidence than currently exists.
- Significant Syndicate debt facilities mature in December 2011 (total outstanding debt of $1.2 billion). It is expected that the Aggregation will assist in achieving these refinancings and enhancing the terms on which they are completed. At this stage discussions are being held with existing financiers for a number of these loans to seek an extension of the facilities. For the balance of facilities, discussions are underway with new financiers to secure new facilities.

OTHER MANAGED FUNDS IMPACT

- There are two other aspects of the overall transaction that I want to mention:
  - As part of the transaction steps, a wholly owned sub trust, the DPF Holding Trust, will acquire all of the CSIF-A units held by CMCS 4, CMCS 14 and CMCS 25 for a cash consideration based on the net equity value of CSIF- A. The acquisition will be subject to Aggregation occurring.
  - CER will acquire from CMCS33 50% of Centro Arndale for cash consideration based on the average of two independent valuations. Again, the transaction will be subject to Aggregation occurring.

LITIGATION – CLASS ACTIONS

- As you would be aware CNP and CER are subject to Class Action claims:
  - In the case of CNP, unless settled earlier, the Class Actions will be defended by CNP in the event that CNP's junior stakeholders vote in favour of the various resolutions and Aggregation occurs. If Aggregation does not occur in a solvent scenario then any claimants under the Class Actions would, if their claims were to succeed, become unsecured potential creditors of CNP, which would then be likely to be in external administration in that scenario;
  - In the case of CER, unless settled earlier, CER (which would then be part of A-REIT) will continue to defend the CER Class actions in the event of a successful Aggregation. In the event Aggregation does not occur, CER will continue to defend the Class Actions on its existing standalone basis. As (in accordance with applicable accounting standards) CER has not currently provided for any liability for the Class Action in its financial statements, an entitlement to A-REIT Class Action True-Up Securities ("CATS") will be provided to unitholders in CAWF and DPF Holding Trust who participate in the Aggregation as well as to CNP in relation to the securities it receives for the sale of CNP assets (including the CNP Services Business). These CATS will effectively protect those securityholders from any future adverse outcome of the CER Class Actions by providing for the issue of further A-REIT securities based on a formula which calculates how many additional securities should have been issued to CNP and securityholders in CAWF and DPF Holding Trust if the Class Action liability had been known at the date of Aggregation Implementation. CATS will not be issued to CER securityholders.

CONDITIONS AND APPROVALS

- I want to return now to the conditions that must be met and the steps ahead if the proposed Aggregation is to be achieved. I will then open the call up for questions.
- The proposal is subject to approvals or relief, as applicable, by each of CER Secuityholders, certain CNP junior stakeholders including CNP securityholders, the Court, ASIC, ASX and FIRB. There are still a large number of issues to resolve over the next couple of months

including finalising terms on debt financing for the A-REIT, appointing a new CEO and Board and obtaining various regulatory approvals and waivers. The path is complex and will take some time to navigate. We anticipate providing detailed explanatory documents including Independent Experts' reports in September this year, with investors meetings to vote on the proposals expected to be held in October.

- There are a number of Conditions Precedent to Aggregation. These are summarised in our ASX announcement and are fully set out in the Implementation Agreement available on our website but there are some that I would like to briefly mention:
  - The Independent Expert (Grant Samuel) will need to conclude that:
    - Aggregation is in the best interest of CNP, CER, DPF Holding Trust and CAWF securityholders
    - The sale of CNP's Australian assets and Services Business is fair and reasonable to CER securityholders, other than CNP
  - That CNP and CER securityholders approve the transaction
  - That ASX approval is obtained to list DPF Holding Trust and CAWF as a step to Aggregation, for the issue of CATS and for the quotation of A-REIT securities
  - Sale Agreements relating to assets to be contributed to A-REIT (including CNP Assets) have to be executed
  - Agreements have to be entered into for the refinancing of the existing secured debt of CAWF, CER, CSIF and the Syndicates on acceptable terms
  - The senior debt creditors' scheme becomes unconditional
  - Certain Standstill arrangements during the Fallback period have to be executed
  - That 90% of Syndicate FUM has to be delivered to A-REIT
  - Normal regulatory approvals for a transaction of this nature have to be obtained
  - No Prescribed Events have occurred which could frustrate Aggregation (e.g. certain insolvency events, altering material contractual arrangements etc). It is important to understand that at all times Directors have a "Fiduciary Out", namely that compliance with the Implementation Agreement by the Directors would be inconsistent with their fiduciary and statutory duties
  - the proposed board members and the CEO of A-REIT must also be acceptable to CNP's Senior Lenders

SUMMARY

- By signing the Implementation Agreement the Directors of each of the Centro parties unanimously recommend that securityholders vote in favour of the resolutions to be proposed, in the absence of a Superior Proposal being received.
- We are committed to continue down the path to Aggregation for the investors who will participate in A-REIT and meeting the terms required to deliver the $100 million to CNP's junior stakeholders. All interested parties will of course also receive a formal

recommendation from Directors of the responsible entities in due course which will be accompanied by an explanatory memorandum and an independent expert opinion on the transaction in advance of securityholders' meetings.

- The US sale to Blackstone was the first step in our restructuring process and the signing of the Implementation Agreement is another important step along the road to restructuring and recapitalising the Centro Group. I would now ask you if you have specific questions about today's announcements which we will be pleased to answer.

Ends...