

Responsible Entity
CPT Manager Limited
ABN 37 054 494 307



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

29 August 2011

Dear Securityholder

Critical vote ahead for CNP securityholders – restructure presents only genuine prospect CNP has been able to provide of recovering any value from your investment

I am writing to bring you up to date with what is likely to be the final stage in the Centro Properties Group (“CNP”) story. As you know, CNP’s debt burden exceeded the entire value of its assets by more than \$1.6 billion at 31 December 2010, and we have survived to this point only with the support of our lenders. The restructure, which was outlined in the Implementation Agreement released to the market on 9 August 2011, provides the prospect of a solvent outcome. Without it, CNP would be placed in a position where it is likely that external administrators would be appointed. If this occurred, CNP securityholders and other stakeholders who are junior to the senior lenders are likely to receive nothing because the assets of CNP are not sufficient to fully satisfy its senior debt obligations and other claims that rank ahead of securityholders.

We announced on 29 June 2011 the closing of the US assets and services business sale and that the net proceeds were applied to debt reduction. While this sale was a positive outcome for CNP, it was not sufficient to address the considerable debt that still remains.

We announced a further significant step in recovering some value for our investors on 9 August 2011 with the execution of an Implementation Agreement between CNP, the majority of its Senior Lenders and certain other CNP managed funds. If all the conditions outlined in that agreement are satisfied or waived, the Senior Lenders will cancel CNP’s headstock debt in return for substantially all CNP’s Australian assets and interests. The Implementation Agreement also established terms for an aggregation of the assets of CNP and certain of its key managed funds into a new Australian Real Estate Investment Trust (“A-REIT”). CNP securityholders however will not receive any securities in the A-REIT.

CNP’s assets will be sold into the A-REIT and CNP will receive equity in A-REIT in exchange. This equity (together with the equity interests that CNP currently holds directly or indirectly in the entities that will form the A-REIT) will be distributed to the Senior Lenders in exchange for the cancellation of their debt. A vote of CNP securityholders is required to approve the transaction at an upcoming investor meeting, expected to be held in October 2011. There are a number of consents and approvals

which will be required, as well as a number of conditions precedent to the proposal being satisfied or waived. These are detailed in CNP's announcement of 9 August 2011 which can be found on our website.

If the transaction is approved, the Senior Lenders have agreed that a cash sum of \$100 million will be made available to be allocated among various CNP stakeholders mentioned below. In the view of your Board, this transaction provides you with the only feasible prospect of recovering any value from your investment in Centro Properties Group and is the best outcome which has been possible in the circumstances facing CNP.

Should the relevant approvals and conditions be met, your Directors have determined the allocation of the \$100 million would be as follows:

- 5 cents per security or \$48.925 million in total to ordinary CNP securityholders;
- 5¹ cents in the dollar or \$21.075 million in total to Convertible Bondholders;
- \$20 million in total to Secured Hybrid holders; and
- \$10 million to be set aside for potential contingent creditors, on the basis that any surplus not used will be returned to the Senior Lenders.

Various options considered

Securityholders will be aware that your Board has considered feasible alternatives for the restructure and recapitalisation of CNP, and has taken advice from leading Australian and international financial, legal and banking advisers and conducted a competitive process to gauge the interest of potential purchasers in all of the group's assets and businesses. This process yielded a number of expressions of interest and led to the sale of the US assets and business which closed on 29 June 2011. The expressions of interest for the Australian assets and businesses were considered inadequate and entailed major execution risk and, after careful consideration of all options, the directors formed the view that the proposed amalgamation and restructuring would provide the best possible outcome for CNP securityholders.

After considering all feasible alternatives with CNP's legal and financial advisers, your Directors intend to unanimously recommend the restructure as the best option that can be achieved for CNP securityholders, in the absence of a superior proposal emerging. An Independent Expert (Grant Samuel & Associates Pty Ltd) has been engaged and will report on the proposal. This report and a formal recommendation from the directors will be sent to you with a comprehensive Explanatory Memorandum and Notice of Meeting. You will be asked to vote on the proposal. In the view of your Directors, you have a stark choice – if the proposal is not supported, CNP will most likely be placed in external administration in which circumstance CNP securityholders are expected to receive nothing.

¹ Rounded to the nearest cent and based on US\$444m of face value in current A\$ terms (A\$427m) based on a FX rate of US\$1:A\$1.04.

Next steps

While signing of the Implementation Agreement was a significant further step in restructuring CNP, there are a number of important matters to be resolved before you will be asked to vote on the proposal. The CNP securityholders, convertible bondholders and the hybrid holders, are required to vote on the proposal and I stress that if any one or more of those classes of junior stakeholders votes against the proposal, the \$100 million will not be available and the opportunity for you to receive 5 cents per security will be lost. Similarly, if other conditions are not met – for example if the managed funds which are to form part of A-REIT vote against that proposal – the \$100 million will not be available. In that circumstance it is likely CNP will be placed in external administration and CNP securityholders are likely to receive nothing. You will be asked to vote on the proposal in October 2011. The proposal will also be subject to various other consents and approvals, including various regulatory approvals.

The directors appreciate that CNP securityholders may have preferred that CNP traded on without a restructure, however, that is not possible as its debt burden is simply too large and cannot be re-financed when it matures on 15 December 2011. The directors intend to recommend the restructure to you as the only feasible prospect CNP has been able to provide of recovering any value from your investment in Centro Properties Group and ask that you carefully consider your options when the proposal documents arrive.

Further information will be made available in the Explanatory Memorandum which you will receive in September. In the meantime any inquiries should be directed to Investor Services on 1800 802 400.

Yours faithfully



Paul Cooper
Chairman