

10 May 2012

Conditional settlement of class actions

Centro Retail Australia (ASX: CRF) has today reached an agreement to settle six proceedings, including a number of related shareholder class actions, brought against certain pre-aggregation Centro entities on behalf of group members represented by Maurice Blackburn and Slater & Gordon in the Federal Court in Melbourne.

These proceedings were commenced on behalf of shareholders who acquired securities in (what was then) Centro Properties Group (formerly CNP, now CNPR) and Centro Retail Group (formerly CER) in 2007 and early 2008. PricewaterhouseCoopers (Centro's auditors during the relevant period) and certain of its related entities (PwC) are sued in a number of the shareholder class actions and are also parties to the settlement.

Centro Retail Australia will contribute \$85 million to a total settlement amount in respect of all proceedings of \$200 million, which amount will be allocated between the Maurice Blackburn and Slater & Gordon claims. The balance of the total settlement amount will be comprised of:

- \$67 million from PwC;
- \$10 million from CNPR; and
- \$38 million from available insurance proceeds.

The shareholder class actions were filed in 2008 and 2010 against pre-aggregation entities, and sought damages substantially greater than the total settlement amount. The hearing commenced in the Federal Court on 5 March 2012 and was scheduled to run until early June 2012. The proceedings, which focussed on the disclosure of liabilities in the Centro Group's audited accounts for FY07, represent some of the most complex shareholder class actions in Australia to date, with over twenty parties and a significant number of cross-claims. More than thirty lay and expert witnesses were called to give evidence at the trial.

The Chairman of CRF, Dr Bob Edgar said today, "The settlement of the proceedings is a commercial decision taken to allow the company to put this matter behind it and continue its focus on adding value for its investors without the distraction and expense of a continuing trial and any subsequent appeals."

"Resolution of this matter better positions CRF to continue to progress a number of its recently announced strategic initiatives, without distraction, including seeking strategic partners to invest in certain of its assets and potentially obtaining for the first time an investment grade credit rating allowing CRF to restructure its balance sheet and core lending facilities."

The settlement of the proceedings is subject to approval of the Court and will be administered in accordance with a Settlement Scheme. If the settlement is approved by the Federal Court, the proceedings, including the class action proceedings, will be dismissed without admission of liability.

CRF Financial Implications, including impact of "CATS"

As part of the aggregation process leading to the formation of CRF in December 2011, Class Action True-up Securities or "CATS" were issued to those CRF Securityholders who were not exposed to the shareholder class actions pre-aggregation. These parties were issued with 1 CATS for every 1 CRF stapled security held by them on aggregation. CATS were not issued to existing CER securityholders.

If the settlement announced today is approved by the Federal Court, this will trigger an obligation for CRF to issue additional CRF stapled securities (for nil consideration) or make a cash payment to CATS holders. The Board has determined to satisfy this obligation by issuing additional CRF stapled securities. The number of additional CRF stapled securities to be issued for each CATS will be determined in accordance with the formula in the CATS terms (as set out in the Disclosure Document issued in connection with the aggregation). The number of CRF stapled securities to be issued under the CATS is calculated by applying the formula on the date the settlement is approved by the Federal Court and depends in part on the total amount of certain legal, expert and other external costs incurred by CRF in connection with the litigation. Accordingly, the number of CRF stapled securities to be issued and the anticipated financial implications cannot be finally determined at this stage.

The litigation settlement and the issue of additional CRF stapled securities to CATS holders is currently expected to result in a dilution of between approximately 6.5% and 7% to both net asset value per security (NAV) and net tangible assets per security (NTA). CRF intends to fund the litigation settlement from existing cash reserves and debt facilities.

The indicative financial implications for CRF of the settlement and the issue of additional CRF stapled securities under the CATS is summarised below:

	31-Dec-11	31-Dec-11 Pro Forma post litigation settlement and issue under CATS^{1, 2}
NAV (\$m)	3,353	3,324
NTA (\$m)	3,154	3,125
Securities on issue (m)	1,341	1,427
NAV per Security (\$)	2.50	2.33
NTA per Security (\$)	2.35	2.19

1 - Includes impact of reversal of \$65.8 million CATS fair value provision

2 - Assumes \$85 million cash settlement amount plus estimated total external costs of \$10 million

The issue of CRF stapled securities under the CATS will not occur until 30 business days after the settlement has been approved by the Court. Following Court approval, holders of CATS will be sent a formal notice regarding the issue of CRF stapled securities to them. Holders do not need to take any further action in order to receive the additional CRF stapled securities. Following the issue, no further CRF stapled securities will be issued in relation to the CATS, which will expire in accordance with their terms.

About Centro Retail Australia (ASX: CRF)

CRF is a fully vertically integrated Australian Real Estate Trust specialising in the ownership and management of Australian shopping centres. CRF has \$6.9 billion of shopping centres under management and employs over 600 people, with offices in Melbourne, Sydney, Brisbane, Perth and Adelaide. CRF provides a full suite of property services including retail development, property management, leasing, financial, sustainability and fund administration.

For more information, please visit the CRF website at crfinvestor.com.au.

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