

16 January 2009

Dear Investor,

Following a difficult and uncertain year for Centro Properties Group (Centro) in 2008, I am pleased to be able to confirm that your company has finalised documentation for a long term refinancing and stabilisation agreement (Stabilisation Package) with its financiers.

The Stabilisation Package follows 12 months of negotiation and review between Centro and its financiers and represents a crucial step in stabilising the foundation upon which the company will continue to focus on its property operations and operate its funds management business.

I would like to emphasise, that while stabilisation has been achieved, the Board remains deeply concerned by the value already lost by investors through the decline in Centro's share price and wishes to assure investors that we believe this to be the best outcome given our circumstances and the current economic environment.

The Board is also acutely aware of the dilution that will be suffered by existing investors under the Stabilisation Plan through the issue of the Hybrid Securities referred to below. To this end, I assure investors that the Board has carefully considered all alternatives available to Centro over the past 12 months. This outcome provides a future for Centro and the retention of some value for existing investors and is superior to the prospect Centro otherwise faced of entering administration or liquidation.

The details of the Stabilisation Package are contained within the attached announcement. Further detail on the Hybrid Securities is available in the Appendix 3B filing which is available on the Centro website ([centro.com.au](http://centro.com.au)).

### **The Road Ahead**

The fundamental objective of your Board and management team throughout 2008 was to secure the long term viability of the Centro group while preserving as much value as possible for investors and continuing to operate the properties to our high standards. This has been achieved with the Group now stabilised and the properties travelling at or above our expectations. The Board and management team's clear objective is now to rebuild value in your company.

In view of the uncertainty affecting all markets and particularly the intense cyclical downturn being experienced in the Australian and international property markets, it makes sense that rebuilding should occur with considered incremental steps.

One of most immediate benefits of the Stabilisation Package will be the greater level of flexibility and control that it returns to Centro's management with fewer reporting requirements to our financiers which were a significant claim on management's time throughout 2008. This will assist the company in restructuring its operations while simultaneously responding to difficult economic conditions.

In seeking to continue to improve its financial position and pay down debt, Centro will continue to pursue its selective program of asset sales where prices can be achieved that are in the best interests of our stakeholders.

As we have previously advised, your Board continues to work toward Board renewal and simplification of intra-company arrangements between Centro and its funds.

## **Market Outlook**

While the outlook for the economic environment in 2009 and the medium term is challenging, I am optimistic about Centro's future. With its medium term financial position stabilised, Centro has a sound footing with which to approach the difficult environment. Importantly, over the course of the last year Centro has maintained its high quality asset portfolio, its position in the market and its strong management team and operational staff.

At a fundamental level, Centro's properties are both geographically diversified and defensive, or non-discretionary, in nature, and we believe are therefore better suited to weak economic conditions than discretionary focused retail assets.

Centro's employees have demonstrated their effectiveness, strength and resourcefulness over the course of an extremely difficult year, and I believe these attributes, which have been recognised in the market place, will place us in a strong position for the challenging times ahead.

## **Next steps**

Investors will be asked to approve the Stabilisation Package at an Extraordinary General Meeting (EGM) expected to be held by the end of 2009 where your Board will seek your support for the Hybrid Security conversion that is a key component of the Stabilisation Package.

Thank you for your ongoing support of Centro throughout this challenging time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Cooper', written over a light grey rectangular background.

Paul Cooper  
Chairman