

26 August 2009

Centro Properties Group FY09 Annual Results

Centro Properties Group (Centro) today announced an AIFRS loss attributable to Centro securityholders of \$3,544 million for the year ended 30 June 2009 (FY09). The loss is primarily attributable to a number of non-cash items including property devaluations, the effect of foreign exchange movements and derivative mark-to-market adjustments. Prior to these items, the underlying profit for the Group is \$229 million.

Income Statement Extract for Year Ended 30 June 2009 (based on ownership share)		\$millions
Underlying Profit Attributable to Ordinary Securityholders		<u>229.2</u>
Asset Revaluations		(2,531.5)
Derivative Mark-to-markets		(236.2)
Foreign Exchange (on headstock debt)		(950.6)
Restructure Costs and Other Adjustments		<u>(54.9)</u>
Net Loss Attributable to Ordinary Securityholders		<u>(3,544.0)</u>

Centro CEO Glenn Rufrano said: "Economic fear has subsided as a result of government stabilisation efforts around the world. In Australia and the US, governments have provided financial insurance and capital which have helped return confidence to the financial sector. We now expect major financial institutions in both countries to be around for a while providing foundations for long-term market liquidity.

"The economic climates in Australia and the US have similarities and differences. Australia's recovery is ahead of the US, and operating statistics in our portfolio bear this out. Occupancy in the stabilised Australian portfolio declined slightly this year with a greater reduction in the US as a result of retailer bankruptcies. Australian property values are down 5.8% over the six months to June compared with a 14% decline in the US. Slower potential income growth has caused the US to have a greater decline in the valuation equation. Overall, both economies are improving, however real estate fundamentals are lagging.

"We have stabilised Centro on many fronts. The debt stabilisation agreement has allowed us to focus on property operations while offering continuity to employees, retailers and suppliers. Our field teams in Australia and the US have returned to



appropriate levels, senior management roles have been filled and shopping centre occupancy levels indicate retailer confidence.

“Stability provides the foundation for change and future progress. New personnel added to the team will bring energy and fresh ideas. The Board renewal process will bring new perspectives on corporate strategies and execution as Centro moves forward.”

Key Financial Analysis

Centro’s balance sheet has been significantly impacted during the year by the same items that impacted net profit. Net tangible assets per security (NTA) on a diluted basis reduced from \$0.69 to -\$2.23 from June 2008 to June 2009. The primary driver of this reduction was property revaluations as shown below:

Composition of Reduction in NTA per Security	
Loss from property revaluations	(\$2.49)
Loss from net movement of derivative financial instruments	(\$0.23)
Loss from net foreign currency movement	(\$0.29)
Gain from underlying profit & other items including issue of new securities	\$0.09
Net change	(\$2.92)

Centro Australia CEO Tony Clarke said: “Sources and applications of cash at the headstock level are the most relevant way of understanding the issues that have impacted Centro’s liquidity. We expect to see further savings in interest expense and minimal derivative or restructure costs in the next six months which will further enhance Centro’s net cash flow.”

For FY09, Centro’s net cash inflow including facility drawdowns of \$77.5 million was \$4.5 million with the predominant cash flow contributors being distributions received from investments in managed funds and services business fees.

A number of one-off items associated with finalising the debt stabilisation agreement occurred in January. Excluding these items, which totalled approximately \$38 million, Centro would have achieved positive cash flow for the last six months of the year without any reliance on facility drawdowns. Over the six months to December 2009, we expect net cash flow before pay down of debt to be up to \$25 million.

At 30 June 2009, Centro was in compliance with its only financial covenant, being headstock interest cover.



The majority of financing requirements during the next 12 months relate to Centro's managed funds, predominantly CER. Tony Clarke said: "We are progressing toward securing extensions or refinancings, and we expect that some syndicate properties will be sold to repay syndicate CMBS facilities."

Key Managed Property Portfolio Information

Centro's Australasian portfolio metrics continue to hold up well due to the non-discretionary nature of the properties supported by the government stimulus plan and the continued better than expected performance of retailers.

Centro General Manager of Property Operations for Australia Mark Wilson said: "Despite the tough operating environment, the performance of our Australian portfolio has been sustained. During the year, significant focus was placed on rebuilding our national leasing team.

"We anticipate that the next 12 months will remain challenging, and our aim is to maintain occupancy levels and sustain NOI growth at 1% to 2% by working with our retailers and controlling our costs at both a corporate and centre level."

Centro US CEO Michael Carroll said: "Our performance in the US reflects the flow-through effects of retailer bankruptcies coupled with the continued difficult economic environment. Even so, our leasing productivity was healthy with more than 11.6 million square feet of space leased in FY09.

"We expect our stabilised portfolio occupancy to be slightly below current levels and average 88.5% during the year. We expect comparable NOI for 2010 to be -3% to -5%."

Property Portfolio	30 June 09	30 June 08
Australasia		
Number of Properties	121	129
Comparable Stabilised NOI Growth	2.5%	3.7%
Comparable Stabilised Occupancy	99.0%	99.5%
Retail Sales Growth	5.0%	6.9%
US		
Number of Properties	612	665
Comparable Stabilised NOI Growth	-3.6%	1.9%
Comparable Stabilised Occupancy	88.7%	91.9%

Centro's managed property portfolio experienced an A\$4.2 billion valuation decline in FY09.

Comparable Property Valuations		Change June 08 vs June 09
	30 June 09	
Australian FUM Property Valuations (A\$)	\$7.71 billion	-15.3%
Australian FUM Cap Rate	7.52%	110bps
US FUM Property Valuations (US\$)	\$10.16 billion	-18.2%
US FUM Cap Rate	8.29%	109bps

Centro and its managed funds sold a total of A\$876.2 million of assets over the year at an average 5.9% discount to book value as shown below. Since 1 July 2009, Centro's managed funds have sold a further six US properties for US\$92 million.

FY09 Dispositions	Australasia	US
Number of Assets Sold	8	57
Aggregate Sales Proceeds	A\$264.0 million	US\$493.7 million

Important Notes & Supplemental Information

Centro's results and the corresponding financial statements have been prepared on a fully consolidated basis and therefore incorporate the results announced yesterday by Centro Retail Trust (CER).

For complete details, including important footnotes, please refer to the annual results presentation, Appendix 4E and supplemental information for Centro's Australasian and US managed property portfolios which have been lodged with the ASX and posted to the Centro website.

Annual General Meeting

The Annual General Meeting for Centro Properties Group is scheduled to be held on Tuesday, 17 November 2009.

About Centro Properties Group (ASX: CNP)

Centro Properties Group specialises in the ownership, management and development of shopping centres. Centro is Australia's largest manager of retail property investment syndicates and is a manager of direct property funds and



wholesale funds which invest in Centro's quality retail properties in Australasia and the United States. For more information, please visit centro.com.au.

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