

# CER

# TODAY



Issue 1: September 2009

## WELCOME

This is the first issue of *CER Today*, a newsletter for investors in Centro Retail Trust which we also refer to as CER. The purpose of this newsletter is to keep you up-to-date with the Trust, its properties and its overall business.

We want to hear from you. Let us know what you would like us to cover in the newsletter or give us other feedback. Simply email us at [certoday@centroretailtrust.com.au](mailto:certoday@centroretailtrust.com.au).



## Annual Report Available



If you have not requested to receive a printed copy of the **CER Annual Report for FY09**, you may view a copy by visiting the CER website or call Investor Services if you would like a printed copy mailed to you.

## → AGM DATE

**CER's Annual General Meeting (AGM) will be held on Monday, 16 November 2009 at the Melbourne Convention & Exhibition Centre. Watch your mail for the Notice of Meetings and Proxy Forms.**

# FY09 RESULTS

CER announced a loss of \$2.7 billion for the year ended 30 June 2009 (FY09). The loss was primarily attributable to a number of non-cash items including property devaluations, the effect of foreign exchange movements and derivative mark-to-market adjustments.

## Underlying Profit \$185 Million

Prior to the non-cash items listed above, CER's underlying profit was \$185 million and has been determined in accordance with the AICD/FinSIA principles for reporting underlying profit.

Income Statement Extract for the Year Ended 30 June 2009	\$ million
Net Property Income	625
<b>Underlying Profit</b>	<b>185</b>
Asset Revaluations*	(1,862)
Net Movement on MTM of Derivatives**	(662)
Impairment in Joint Venture	(318)
Other	(26)
<b>Net Loss</b>	<b>(2,683)</b>

## Key Financial Ratios

CER's balance sheet has been significantly impacted during the year by the same items that impacted net profit. Net Tangible Assets per security (NTA) reduced from \$1.27 at 30 June 2008 to \$0.30 at 30 June 2009. The primary driver of this reduction was property valuations as shown below:

Composition of Reduction in NTA per Security	
Asset Revaluations/Loss on Sale of Assets	(\$0.81)
Mark-to-market Movements	(\$0.33)
Movement in FX Rate	\$0.24
Operating Items	\$0.07
Super LLC Impairment	(\$0.14)
<b>Net Change</b>	<b>(\$0.97)</b>

## Debt is a Focus Moving Forward

An important achievement for CER over the six months to June was the paydown of a particular debt facility (known as the CSF facility) to below US\$50 million. This was an important achievement as it allowed cash to flow from the investment to the Trust. As part of our overall debt reduction plan, we have specifically targeted the complete repayment of this facility which will further enhance cash flow.

## \*Asset Revaluations

These are adjustments made to the carrying value of the shopping centre assets owned by CER. These adjustments are made on a relative basis, reflecting CER's ownership portion of the property. If, for example, CER owned 50% of a property that was valued at \$100,000,000 at 31 December 2008 and was revalued at \$95,000,000 at 30 June 2009, a negative movement of \$2,500,000 would be included in the revaluation line of CER's balance sheet.

Property valuation changes are non-cash because no gain or loss has been realised – rather, adjustments are made to the books to reflect what we believe the current actual value of the properties to be.

We continue to be focused on prudently managing the capital position of the Trust. During FY09, we reduced our overall debt by \$498.6 million. Recent property devaluations have put loan to value ratio (LVR) covenants under pressure as CER's look-through (including debt of CER's underlying investments) LVR was 76.8% at 30 June 2009. Management continue to work closely with lenders in order to achieve common objective of reducing this exposure.

Of the debt reduction mentioned above, \$446 million was from proceeds of the sale of 30 assets over the year.

Dispositions (FY09)	Australasia	US
Number of Assets Sold	3	27
CER Share of Sales Proceeds	A\$75.6 million	US\$298.6 million

Since 1 July 2009, CER has sold another five US properties for US\$74.3 million with CER's share being US\$70.8 million which has largely been used for debt reduction.

Negotiations are progressing for the refinancing and renewal of the debt maturing toward the end of the 2009 calendar year.

## Properties Hold Up Well

CER's Australian and US portfolios performed in line with our expectations with occupancy relatively strong.

Property Portfolio	30 June 09	30 June 08
<b>Australia</b>		
Number of Properties	30	33
Comparable Portfolio Value (A\$)	\$1.7 billion	\$2.0 billion
Comparable Stabilised NOI Growth	1.7%	4.3%
Comparable Stabilised Occupancy	99.5%	99.4%
Retail Sales Growth	4.4%	6.8%
<b>US</b>		
Number of Properties	394	419
Comparable Portfolio Value (US\$)	\$4.7 billion	\$6.1 billion
Comparable Stabilised NOI Growth	-3.2%	1.1%
Comparable Stabilised Occupancy	91.0%	94.1%

Despite the negative retailing environment in the US, there is healthy demand for space from certain retailers – this drove demand for the 8 million square feet of space leased in CER's US portfolio in FY09.

## \*\*Derivative Mark-to-market Adjustments

Derivatives are financial instruments which are generally used to hedge against financial risk. CER has both interest and foreign exchange rate derivatives (or hedges). The goal is to fix these rates thereby achieving certainty regarding the cash cost of interest and foreign exchange conversion rates.

The derivatives themselves have a value determined by comparing the current interest or foreign exchange rate against the hedged rate. The derivative value is recorded on our balance sheet as either an asset or a liability. The change in this net value period over period is recognised on the company's Income Statement in the "Net movement on mark-to-market (MTM) of derivatives" line. Since the value change in the derivative is not realised, it is a non-cash income or expense.

## What Is CER

CER is an Australian Real Estate Investment Trust (A-REIT) which is traded on the Australian Securities Exchange (ASX). CER is managed by Centro MCS Manager Limited, an affiliate of Centro Properties Groups (Centro). Listed in August 2005, CER offers investors direct property exposure to quality Australian and US shopping centres.

CER's investment philosophy is to provide investors with access to pure retail property ownership.

**CER is a Pure Property Trust and its Characteristics are:**

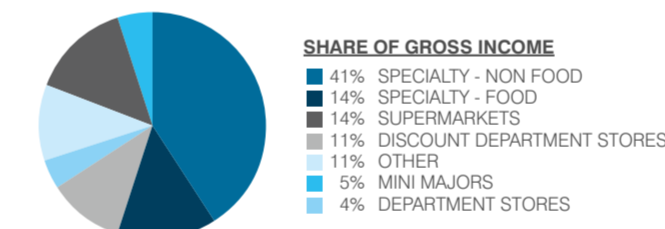
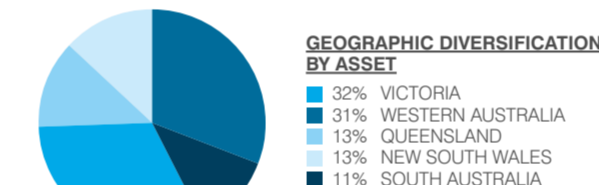
### Quality Investment Portfolio

CER has exposure to a quality portfolio of over 400 shopping centres across Australia and the United States.

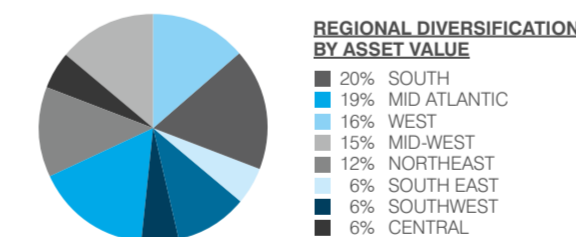
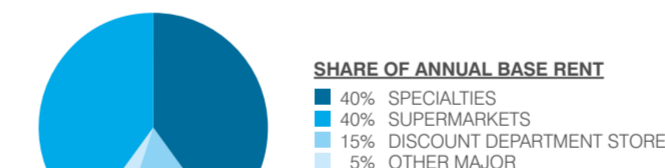
### Strong Diversification

- Asset type – A spread of regional, sub-regional and convenience centres in Australia and community and neighbourhood shopping centres in the US.
- Geographical – Shopping centres in five Australian and 38 US states.
- Retail tenancies – Over 10,000 tenancies.

### Australian Portfolio Diversification Characteristics



### US Portfolio Diversification Characteristics



### CER's Relationship with Centro

Centro MCS Manager Limited, a wholly owned subsidiary of Centro, is the Responsible Entity (RE) for CER. The RE is responsible for the overall Corporate Governance of the Fund, including the protection of securityholders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

## News In Brief

### CER FY09 Distribution

CER paid a distribution of 0.3755 cents per security to investors on 28 August 2009. The distribution represented the taxable income of the Trust of \$8.6 million. The record date for the distribution was 30 June 2009.

### Ernst & Young Appointed Auditor

CER appointed Ernst & Young to be the company's auditor on 26 June 2009. In accordance with the Corporations Act, the appointment will be effective until our next Annual General Meeting, where we intend to seek investor approval for Ernst & Young's ongoing appointment.

### CER Tax Guide

CER's FY09 distribution comprised a taxable income of the Trust. Refer to the CER Tax Guide for more information. The tax guide can be found on the CER website (centroretailtrust.com.au).

### Search for Global CEO

In August, we announced that both Glenn Rufrano (CEO) and Tony Clarke (CEO - Australia) would not be renewing their contracts, which expire in February 2010.

The Board has initiated a search for a new Global CEO who will be based in Melbourne. Glenn will remain CEO until a suitable replacement is appointed and a detailed transition and handover have occurred.



## Mario Papaleo – CER Fund Manager

Mr Mario Papaleo was appointed CER Fund Manager in March 2009. In this role, Mario is responsible for formulation and preparation of fund strategies including the annual business plan, asset acquisitions and disposals, cash flow forecasting and ensuring that property operations are compliant with the overall Fund strategy. Mario is assisted in these duties by Nick Riordan – Manager, Listed Funds Management – CER.

Mario has over 12 years of property and funds management experience, the past eight of which have been at Centro. In addition

to various funds management and special project roles at Centro, Mario was Manager of European Operations in London and was part of a small team responsible for exploring continental European expansion opportunities.

Mario is currently pursuing a Master of Applied Finance and holds a Graduate Diploma in Applied Finance and Investment from Financial Services Institute of Australia (FinSIA) and a Bachelor of Business (Property) from the Royal Melbourne Institute of Technology.

# CER Board to be Chaired by Peter Day

## Michael Humphris & Fraser MacKenzie Director-designates.

With the appointment of Peter Day to be Chairman and Michael Humphris and Fraser MacKenzie to be Non-executive Directors, the CER Board will separate from the Board of Centro Properties Group (Centro).

In the past, both Boards comprised the same members. Once these three new Directors are seated, the CER Board will have a majority of members different from the Centro Board.

### + Peter Day Chairman-designate (to be appointed September 2009)

#### Background & Experience

Mr Day has over 25 years experience in finance, strategy, general management and compliance.

#### Current Directorships and Advisory Roles

- Ansell**
  - Non-executive Director
- Orbital Corporation**
  - Non-executive Chairman
- SAI Global**
  - Non-executive Director
- Accounting Professional & Ethical Standards Board (APESB)**
  - Non-executive Director
- Australian Prudential Regulatory Authority (APRA)**
  - Member, Risk Management & Audit Committee
- Central Gippsland Region Water Corporation Board**
  - Non-executive Director, Victorian State Government
- Water Accounting Standards Board (WASB)**
  - Member, Bureau of Meteorology, Federal Government
- Past Non-executive Directorships & Executive Positions**
- Ancor Group**
  - Executive General Manager Finance (CFO)
- Bonlac Foods**
  - Chief Financial Officer and Executive Director
- Australian Securities and Investments Commission (ASIC)**
  - Deputy Chairman
- Rio Tinto**
  - Managing Director, Group Business Services
- Comalco**
  - Vice President, Strategic Analysis and Planning
- Commonwealth Aluminum USA**
  - Chief Finance Officer
- Past Industry, Government & Non Profit Service**
- Multiple Sclerosis Australia**
  - Non-executive Director

- Australian Home Care Services Pty**
  - Non-executive Director
- Australian Accounting Standards Board**
  - Chairman

### + Michael Humphris Non-executive Director (to be appointed September 2009)

#### Background & Experience

Michael Humphris has over forty years of audit, finance and advisory experience.

#### Current Directorships & Advisory Roles

- BDO Kendalls**
  - Specialist Consultant
- Tox Free Solutions**
  - Non-executive Director
- Virax Holdings**
  - Chairman
- Murray Irrigation**
  - Non-executive Director and Chairman of the Audit & Risk Committee
- Past Non-executive Directorships & Executive Positions**
- BDO Kendalls**
  - Director
- Arthur Anderson**
  - Worldwide Partner
- Ernst & Young**
  - National Director
- Past Industry, Government & Non Profit Service**
- Richmond Football Club**
  - Non-executive Director
- Australian Institute of Company Directors**
  - Member
- Financial Services Institute of Australasia**
  - Senior Associate
- Melbourne University's Department of Accounting & Business Information Systems Advisory Committee**
  - Member

### + Fraser MacKenzie Non-executive Director (to be appointed September 2009)

#### Background & Experience

Fraser MacKenzie has over 35 years of finance and accounting experience.

#### Past Non-executive Directorships & Executive Positions

- Coles Group/Coles Myer**
  - Chief Financial Officer
- OPSM Group**
  - Chief Financial Officer
- Pfizer**
  - Pfizer Animal Health, Market Development Director (NY)
  - Pfizer Animal Health, Regional Director Australasia
  - SmithKline Beecham Animal Health, Australian Managing Director
- Gestetner Holdings**
  - Finance Director; various other senior finance roles
- Smith Kline & French Laboratories**
  - Managing Director (NZ)
  - Finance & Administration Director
  - Director, Mergers & Acquisitions (UK)
  - Business Development Director (Northern Europe)
  - Group Finance Manager (UK)
  - Finance & Administration Manager (Ireland)
- Professional Affiliations**
- Australian Institute of Company Directors**
  - Member
- Chartered Association of Certified Accountants (UK)**
  - Fellow
- Certified Practising Accountants (Australia)**
  - Fellow

**When you need an answer.. we're here for you**  
CER has a number of resources where investors can go for information.

 [centroretailtrust.com.au](http://centroretailtrust.com.au)

The CER website ([centroretailtrust.com.au](http://centroretailtrust.com.au)) has lots of information about the Trust. Stop by and check it out...here's a little of what you can find there:

- **Company announcements**
- **Register for automatic email alerts**
- **Annual and financial reports**
- **Supplementals – detailed information on CER's assets and debt**
- **Portfolio Assessments – detailed information on the physical characteristics of CER's shopping centres**

 **Investor Services**

CER has a team dedicated to assisting investors with questions and with finding information. Give us a call or email us:

**Toll Free (Aus)** 1800 802 400  
**Toll Free (NZ)** 0800 449 605  
**Telephone** +61 3 8847 1802  
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