

17 December 2007



## Centro Earnings Revision and Refinancing Update

Following the request from the Centro Properties Group ("Centro" or "Group") for a trading halt on Thursday, 13 December 2007, Centro has reviewed its earnings projections and completed certain refinancing arrangements.

### Impact on Earnings

Increased costs associated with the extension of the debt facilities, and expected costs of the refinancing, will have an adverse effect on Centro's earnings and forecast distributions. In addition, restrictions imposed on Centro's capital expenditure under the terms of the financing extension will restrict Centro from carrying out some of its growth plans in the United States which had been expected to generate higher earnings.

As a result, Centro's operating distributable profit per security has been revised downward from 47.0 cents per security to 40.6 cents per security<sup>1</sup>. This represents a slight increase of 2.1% on the FY07 DPS of 39.8 cents per security.

In addition, for prudence in the current circumstances and in order to ensure the broadest possible range of long term financing options, Centro will not pay a distribution for the half year ending 31 December 2007.

A decision as to when distributions will be reinstated will be made following the outcome of the strategic review.

### Refinancing Update

Centro is continuing to negotiate the refinancing of A\$1.3 billion in Centro maturing facilities, and has obtained an interim extension until 15 February 2008 of all facilities maturing prior to that date. In addition, US joint venture facilities have also been similarly extended.

Tightened credit conditions have, however, had the effect that negotiation of a comprehensive refinancing package of these short term facilities has not yet occurred.

It has become clear that to secure longer term financing in the current illiquid credit market, Centro will need to reduce its gearing level significantly.

The funding extension will allow Centro's Board and Management to undertake a review of options available to secure the long term capital structure of Centro and its managed funds and to reduce the current gearing levels.

These options may include asset sales, joint ventures and equity injections. A complete review of the overall structure of the Group will also be undertaken. The restructure and refinancing is forecast to incur a one off cost of \$40 million. These have been excluded from the FY08 forecast operating distributable profit.

In the meantime, Centro's \$26.6 billion managed property portfolio is performing well and in line with expectations, reflective of the strong cashflows and defensive characteristics of non-discretionary food and convenience based retail property.

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<sup>1</sup> Assumes no external inflows to managed funds and increased margins on borrowings

Mr Brian Healey, Centro Chairman, said: "While all at Centro are extremely disappointed not to declare a distribution for the current period, we believe that over the medium to long term, it is the correct decision to make in order to preserve value for securityholders.

"Recent turbulence in international credit markets, in particular in the US, has resulted in a tougher environment in raising debt and refinancing existing debt facilities that are maturing.

"In August, the Centro Board and management took the view that the long-term refinancing of our debt obligations would be available with attractive funding terms through the US CMBS markets.

"We never expected nor could reasonably anticipate that the sources of funding that have historically been available to us and many other companies would shut for business.

"Even following the onset of turbulence in international credit markets, we completed a US\$300 million, 10 year CMBS issue was completed on reasonable terms, reinforcing our confidence that it would be more cost effective to wait for the debt markets to settle.

"Up until late last week, we were of the view that our short term debt obligations could be refinanced on a long term basis.

"While we understand the difficulty that this presents to our securityholders, the underlying retail property assets and performance of the business remains strong. The Board and management are working hard to find an enduring solution to its financing requirements and preserving value for securityholders."

### **Property Portfolio Continues to Perform Strongly**

Centro's underlying business remains strong with its \$26.6 billion managed property portfolio performing well and slightly above budget.

The Australian managed portfolio has occupancy levels in excess of 99% and property income growth for FY08 is forecast to exceed 4%.

The US managed portfolio is performing in line with expectations with results underpinned by the non-discretionary nature of Centro's shopping centres and the security of income from leases to tenants such as Kroger, TJ Maxx and Wal-Mart.

Further details are contained in the market presentation. For Further Information:

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### **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 with over 80% market share as well as being a leading manager of direct property funds and wholesale funds which invest in Centro's quality retail properties in Australasia and the United States. Centro has funds under management of A\$26.6 billion.

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