



29 August 2008

Centro Properties Group FY08 Results

Centro Properties Group (Centro) today announced an AIFRS loss of \$2,053 million for the financial year ended 30 June 2008. These results and the corresponding financial statements have been prepared on a fully consolidated basis as a result of moving to more than 50% ownership of the Centro Direct Property Fund (DPF) and Centro Direct Property Fund International (DPFI). As a consequence, Centro Retail Trust, Centro Australia Wholesale Fund, Centro America Fund, Super LLC and certain Centro MCS syndicates have also been consolidated.

After minority interests of \$2.4 million, the loss attributable to Centro securityholders of \$2,055 million includes the following non-cash and non-recurring items:

▪ Property revaluations	\$1,195 million
▪ Asset impairment	\$772 million
▪ Unrealised derivative losses	\$181 million
▪ Restructure costs	\$130 million
▪ Other non-cash AIFRS items	\$19 million

Centro CEO Glenn Rufrano said, "Maintaining the underlying value of the business has been a major focus of the management team. The headline loss of \$2,055 million does not reflect the operating performance of the Group for the past financial year. After adding back the above items to the headline result the underlying earnings are \$242 million."

Gearing and Debt Maturity

On a consolidated basis as at 30 June 2008, Centro's gearing and debt were as follows:

- Look through gearing of 73.9%, which takes into account all of Centro's look through property investments and borrowings; and
- Total debt of \$6.56 billion on both a look through and a consolidated basis.

Managed Property Portfolio Performance

"Although operating conditions in the US and Australia remain challenging, our portfolio is diversified by tenant, geography and retail format to provide long term



stability. Our tenants are heavily weighted toward necessity-orientated retailers such as supermarkets and discount stores and it is these retailers that continue to perform solidly when economic conditions start to slow,” said Mr Rufrano.

Centro’s managed property portfolio either met or exceeded expectations for FY09. Specifically, the portfolios performed as follows for the year:

▪ **United States Property Portfolio**

The US portfolio, which accounts for 59% by value of total properties under management, has grown significantly and produced the following results for the year:

- Comparable NOI growth - stabilised of 1.9%;
- Comparable NOI growth – including developments of 3.3%
- 72.5% renewal rate on specialty leases;
- Rental income growth on new leases of 8.0%; and
- 91.9% occupancy for the stabilised portfolio.

The current US\$437 million development pipeline represents approximately 3% of assets under management and is critical to maintaining retailer relationships and the value of the centres.

▪ **Australasian Property Portfolio**

The Australasian portfolio experienced good NOI growth throughout the year, underpinned by strong leasing demand and near full occupancy with less than one vacancy per centre on average. Details of this performance were:

- 6.9% comparable sales growth;
- Comparable NOI growth - stabilised of 3.7%;
- Comparable NOI growth – including developments of 4.6%;
- 79.8% renewal rate on specialty leases;
- Rental income growth of 9.7% on new leases; and
- 99.5% occupancy for the stabilised portfolio.

Thirteen developments were completed at an average yield of 7.4% for FY08. The level of development activity has slowed with the current development program being \$194 million.

- **Property Valuations**

Property valuations for the managed portfolio were determined using a combination of Directors' and independent valuations and reflected the following capitalisation rate movements for comparable properties from June 2007 to June 2008:

- Increase of 38 basis points for the US; and
- Increase of 18 basis points for Australia.

- **Services Business**

For the year, the services business generated net income of \$210 million based on:

- \$138 million (39%) of gross income derived from the management, leasing and development of properties in the managed portfolio. This was up significantly from the prior period due to the full year impact of growth in the size of the managed portfolio; and
- The remaining \$221 million (62%) in gross income was contributed by funds management, with \$195 million (88%) of this amount arising from recurring responsible entity fees, custodian fees and cost recoveries.

Group Recapitalisation

Centro provided a recapitalisation update to the market on Monday, 25 September 2008. This announcement included an update on the following:

- Asset sales;
- Proposals received (and rejected) for new equity; and
- The Group's objective to obtain longer term debt extensions from the lender groups beyond 15 December 2008.

"While there is no disguising the seriousness of the situation for the Centro group, we are making incremental steps towards stabilisation in a difficult environment. Our fundamental task remains to secure long term debt restructuring and we will continue to work with our lending groups to achieve this goal," said Mr Rufrano.

Annual General Meeting

The Annual General Meeting for Centro Properties Group is scheduled to be held on Friday 28 November 2008.



Supplemental Information

Supplemental disclosures for Centro's Australasian and US managed property portfolios have been posted to the Centro website.

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 www.centro.com.au.

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