

28 August 2012

ASX/MEDIA RELEASE

## CRF BUILDS FOUNDATION FOR GROWTH

Centro Retail Australia (CRF or the Group) announces its first end of financial year result since its establishment, for the seven month period ended 30 June 2012.

### Key Financial Results

- Statutory Net Loss of \$222.9 million, due to non-recurring aggregation related costs
- Underlying Earnings of \$123.2 million
- Balance Sheet Gearing of 26.3%, reduced from 34.6% at 31 December 2011
- Net Tangible Asset (NTA) value of \$2.21 per security (post CATS conversion)
- Net Asset Value (NAV) of \$2.35 per security (post CATS conversion)

### Retail Portfolio Metrics

- Comparable Net Operating Income Growth of 3.5%
- Portfolio occupancy of 99.5%
- Specialty rental renewal growth of 4.0%
- Annual retail sales growth of 0.9%
- Specialty occupancy cost ratio of 14.6%

Managing Director and CEO, Steven Sewell said: "We are delighted with CRF's underlying results announced today. CRF exceeded both its distributions and underlying earnings forecasts by more than 1.5% for the seven month period. This solid operating profit performance was achieved through a combination of good property level performance, control of costs and savings on CRF's finance facilities."

### Financial summary for period ended 30 June 2012

The Statutory Net Loss of \$222.9 million for the period is attributable to non operational, one off items including:

- class action litigation settlement, court approved on 19 June 2012, with CRF's contribution of \$85.6 million;
- fair value provision of the Class Action True-up Securities (CATS), equal to \$203.3 million;
- stamp duty imposts primarily from aggregation of \$55.8 million; and
- derivative mark to market expense of \$22.0 million.

Underlying Earnings from operations were \$123.2 million for the seven months ended 30 June 2012<sup>1</sup>, primarily derived from net operating income from retail assets directly owned by CRF.

	30 June 2012 <sup>3</sup>
<b>Summary Income Statement for Period<sup>2</sup> (\$m)</b>	
Investment income from Directly Owned assets	191.5
Investment income from Syndicate investments	16.1
Services income	18.7
<b>Total income</b>	<b>226.3</b>
Overheads (net of recoveries) <sup>4</sup>	(23.7)
Depreciation and amortization	(0.7)
Financing costs	(78.7)
<b>Underlying earnings<sup>5</sup></b>	<b>123.2</b>
<b>Non-distributable items:</b>	
Fair value adjustment on CATS	(203.3)
Settlement of class action litigation (including costs)	(94.2)
Stamp duty expense	(55.8)
Mark to market movements of derivatives	(22.0)
Investment property revaluation increment	23.6
Other non-distributable items	5.6
<b>Net Profit / (Loss)</b>	<b>(222.9)</b>

From a balance sheet perspective, following completion of the sale to Perron Group of 50% ownership interests in three regional assets Galleria, The Glen and Colonnades for \$690.4 million, CRF is now in a stronger position.

Gearing reduced during the period from 34.6% to 26.3%, with the net assets of the Group remaining stable at \$3.35 billion, reflecting a net asset value per security of \$2.35 post the issuance of an additional 87.6 million securities in settlement of the CATS.

Equally, CRF's liquidity position was substantially enhanced during the period, as a result of settlement of the Perron transaction, with \$600 million of net proceeds used to partially repay the core debt facility, and a further \$85.6 million utilised to meet CRF's class action settlement obligation.

Interest rate swaps with a notional value of \$660 million were terminated on 28 June 2012, aligning the hedged profile to the maturity profile of existing finance facilities.

<sup>1</sup> The effective date of CRF's establishment was 1 December 2011 for accounting purposes, resulting in the financial information being for a seven-month period.

<sup>2</sup> Segment Income Statement extract taken from Note 5 (Segment Information) in CRF's 30 June 2012 Appendix 4E lodged with the ASX on 28 August 2012.

<sup>3</sup> Financial result is for the period 1 December 2011 to 30 June 2012.

<sup>4</sup> Includes \$12 million of property management fees recovered against directly owned property investments.

<sup>5</sup> Refer to Note 5 of the CRF FY12 Appendix 4E lodged with the ASX on 28 August 2012 for the definition of Underlying Earnings.

A summary of CRF's financial position is shown in the table below.

<b>Summary Balance Sheet Extract<sup>6</sup> (\$m)</b>	<b>As at 30 Jun 2012</b>
Total Tangible Assets	4,615.9
Total Intangible Assets	199.7
<b>Total Assets</b>	<b>4,815.6</b>
Total Borrowings	1,214.4
Total Other Liabilities	253.6
<b>Total Liabilities</b>	<b>1,468.0</b>
<b>Net Assets</b>	<b>3,347.6</b>
NAV Per Security (post CATS conversion) (\$)	2.35
NTA Per Security (post CATS conversion) (\$)	2.21
Balance Sheet Gearing ratio (Total Borrowings / Total Tangible Assets)	26.3%

### **Core Debt Facility Restructure Progressing**

Following the deleveraging achieved during the period, CRF confirms that it has received credit approved commitment letters from its core lenders for the restructuring of the facility. Subject to finalisation of documentation, satisfaction of conditions precedent and material adverse change clauses usual for facilities of this nature, CRF's existing core debt facility will be restructured on the following terms:

- Facility limit to increase from \$1.0 billion to \$1.8 billion, including a portion of \$525 million with a deferred start to refinance the remaining facilities maturing before 31 December 2013;
- Increase weighted average maturity of 4.4 years, with a blended maturity split of \$650 million for three years and \$1,150 million for five years;
- Reduced margin; and
- Standard covenants and terms customary for a facility of this nature.

### **Portfolio Operating Performance**

CRF's diversified retail portfolio continued its strong performance.

Comparable net income growth of 3.5% was achieved, with occupancy across the portfolio maintained at 99.5% and average specialty occupancy cost ratios managed to 14.6%.

Rental rate growth on renewal was strong at 4%, with over 620 leases completed during the period. Structured rental increases were agreed at between 4% and 5%, supporting future income growth.

Retailer sales growth across the portfolio remained positive on a moving annual turnover basis, at 0.9%, despite a continued challenging environment. The positive result for the year was a reflection of CRF's exposure to convenience-based shopping centres, with the portfolio anchored by many of Australia's leading non-discretionary retailers. Supermarkets recorded sales growth of 1.4% on a moving annual turnover basis. Given supermarkets account for 37% of total portfolio sales, they were the major driver of the overall solid result.

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<sup>6</sup> Segment Balance Sheet extract taken from Note 5 (Segment Information) in CRF's 30 June 2012 Appendix 4E lodged with the ASX on 28 August 2012.

Future retail market conditions are expected to be mixed with factors such as price deflation, continuing cautious consumer activity and increased competition especially in discretionary retail categories.

<b>CRF Directly Owned Portfolio</b>	<b>Dec 11</b>	<b>Jun 12</b>
No. of Properties	43	41
Comparable NOI Growth – Stabilised	3.7%	3.5%
Annual Retail Sales	\$6,249.2	\$6,285.6
Annual Retail Sales Growth (SCCA)	1.6%	0.9%
Specialty Occupancy Cost	14.2%	14.6%
Renewal Rental Growth	5.3%	4.0%
Occupancy Rate	99.6%	99.5%
Debtors Ratio	0.9%	0.6%
Weighted Average Cap. Rate	7.44%	7.39%

### **Strategy Overview**

CRF recently completed a strategy review, confirming its aim to be a leading Australian shopping centre REIT with sole focus on Australian retail assets.

Key strategic themes include:

- **Capital management** - delivering optimal cost and term of debt facilities with diversification of sources through prudent and conservative balance sheet management.
- **Active portfolio management** - leveraging our national fully functional team and superior portfolio locations.
- **Redevelopment potential** - planning and delivering value-enhancing redevelopment projects unlocking latent upside across the portfolio.
- **Ownership initiatives** - undertaking direct and joint venture ownership structures, aimed at increasing the yield and returns from invested equity.
- **Operational Excellence** - achieving through our talented employees, quality systems and processes, sustainability measures and our strong retailer relationships.

### **Positioned for Growth**

Managing Director and CEO, Steven Sewell said: “The year ended June 2012 was a transformational year for CRF. Now with a refreshed and expanded management team, recapitalised balance sheet, the class action resolved and confirmation of its Australian shopping centre strategy, CRF has a solid foundation on which it can grow.

“A number of benefits of the substantive transformation in the period to 30 June have already been realised, with terms agreed to restructure the core debt facility and inclusion in the major domestic and international REIT indices. A direct result of these index inclusions is that CRF’s investor profile now includes a large number of long term, domestic and offshore REIT investors.

“We are confident, in light of the strong balance sheet and liquidity position, of delivering earnings growth in 2013 and beyond, through strategic leasing and redevelopment aimed at unlocking the latent growth potential that exists in the portfolio, as well as operational efficiencies and achieving further savings on financing costs.

“CRF’s business model is expected to deliver sustainable enhanced return on equity and total shareholder returns in years to come. We forecast, subject to any unforeseen events, FY13 underlying earnings of between 15.3 cents and 15.6 cents per security with distributions paid to investors representing a payout ratio at between 80% and 90%.”

### **Annual General Meeting**

CRF’s Annual General Meeting will be held at the Sofitel Melbourne on Collins, 25 Collins Street, Melbourne on 31 October 2012, commencing at 2.00 p.m. in the Fitzroy Ballroom.

### **About Centro Retail Australia (ASX: CRF)**

CRF was established in December 2011 and is a fully vertically integrated Australian Real Estate Trust specialising in the ownership and management of Australian shopping centres. CRF has \$6.6 billion of shopping centres under management and employs over 600 people, with offices in Melbourne, Sydney, Brisbane, Perth and Adelaide. CRF provides a full suite of property services including retail development, property management, leasing, financial, sustainability and fund administration. For more information, please visit the CRF website at [www.crfinvestor.com.au](http://www.crfinvestor.com.au).

### **For Further Information**

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