



Centro Karingal, VIC

Key Highlights

Successful Acquisition of Heritage REIT

Centro Properties Group ('Centro') has successfully completed the A\$4.3 billion (US\$3.2 billion) acquisition of the Heritage Property Investment Trust ('Heritage') after Heritage shareholders voted overwhelmingly in favour of the transaction.

Heritage was a US retail property real estate investment trust holding a portfolio of 157 largely supermarket anchored, neighbourhood and community shopping centres across 27 states. The \$4.3 billion portfolio was purchased at an average acquisition yield of 7.41% and provides a unique growth opportunity for Centro to utilise and expand its funds management platforms for its investors and co-investors.

This acquisition increases Centro's total funds under management by 37.4% to A\$15.8 billion and establishes Centro Watt as the ninth largest owner/manager of retail property in the United States. Centro's US managed property portfolio is now significantly enhanced by the wider geographic spread and increased asset diversity.

Largest Syndicate Launched – \$1 Billion Centro MCS 38

In response to continued high investor demand for direct international retail property, Centro has launched its latest retail property syndicate, the \$1 billion Centro MCS 38 – International No. 5 ('Centro MCS 38'). This follows the successful launch and continued sell down of Centro MCS 37, a \$149 million syndicate of Australian shopping centres. Centro MCS 38 comprises a diverse portfolio of 20 properties across 13 US states including 11 neighbourhood centres and six regional sized shopping centres.

This syndicate has also provided investment growth for two of Centro's managed funds, the Direct Property Fund International ('DPFI') and Centro Retail Trust ('CER') which have taken significant interests in Centro MCS 38. Importantly, the transactions evidence Centro's commitment to sourcing appropriate and value adding opportunities for its managed, co-investment funds.

Delivering Returns to Investors

As a result of the Heritage acquisition, Centro is 'spinning-off', or creating, a new Centro Australian Wholesale Fund. The Wholesale Fund will own interests in 28 quality Australian shopping centres, including flagship shopping centres such as Centro Galleria (Perth) and Centro The Glen (Melbourne).

This transaction has enabled Centro to pay a special distribution of 75 cents per security to Centro investors registered as at 12 October 2006. This distribution is in addition to the regular half yearly distributions and is a continuation of Centro providing outstanding returns to its investors with Centro the highest performing listed properly trust over the last 10 years.

Investors have a choice to receive the distribution in cash or reinvest the proceeds into another Centro managed fund, the DPFI. Attractive features of the DPFI include:

- High 7.2% Distribution Yield;
- Regular and stable Income paid quarterly;
- High tax advantaged Income with a tax advantaged forecast for the 2007 financial year at over 80%; and
- Centro co-Investment aligns its interest with DPFI investors by investing with you in the fund.

The distribution will be paid to investors on 30 November 2006. More information can be found on the website www.centro.com.au.

Key Statistics

- Fifth Largest Australian Listed Property Trust
- \$6.3 Billion Market Capitalisation
- 41.9% One Year Total Return (to 30 Sep 2006)
- \$15.8 Billion Funds Under Management
- 381 Shopping Centres Under Management
- Second Largest Retail Property Owner/Manager in Australia & Ninth Largest in the United States.



Centro Whitehorse, VIC



Centro The Glen, VIC

Centro Watt's US Expansion

The acquisition of Heritage has significantly increased Centro's US portfolio managed by Centro Watt, Centro's US joint venture. With 257 shopping centres now under management valued at A\$7.8 billion and representing 49% of Centro's funds under management, Centro Watt is the ninth largest owner of retail property in the US.

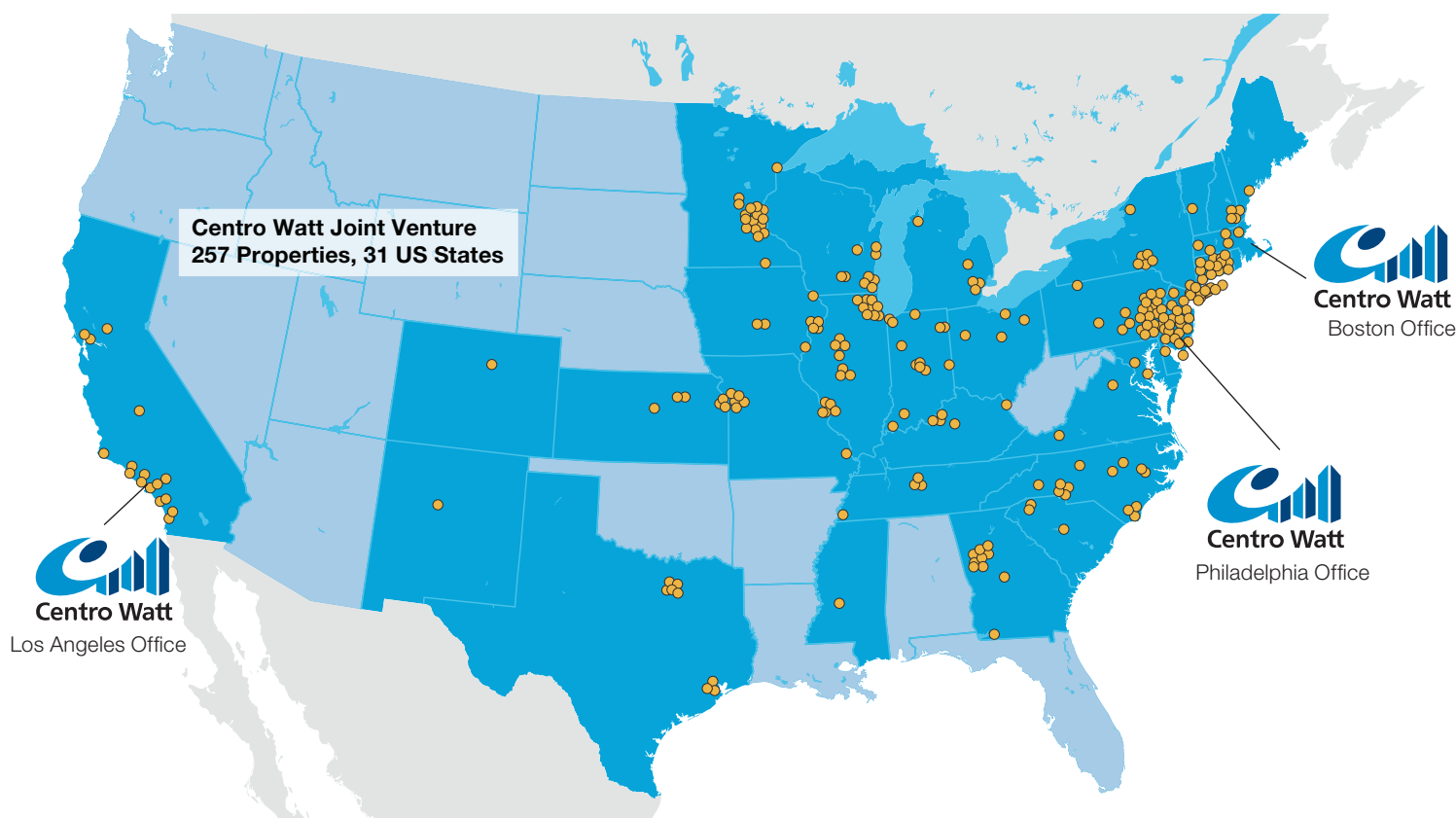


Centro Watt is undertaking management of the new Heritage properties as well as the integration of staff into a new Centro Watt office in Boston. Mr Tom Lorenzen, one of Centro's seconded senior Australian executives in the US, will relocate to Boston to manage the office and oversee the integration process. Centro expects to retain the large majority of Heritage staff and looks forward to achieving a high staff retention rate as was successfully accomplished following the MCS Property and Kramont REIT acquisitions.

Centro Watt's fully integrated national property platform is well placed to manage the diverse style and geographic mix of its expanded US shopping centre portfolio. The US team now comprising over 350 staff is well positioned to continue adding value and management capabilities to its property portfolio.

With the Boston office complementing existing Centro Watt offices in Los Angeles and Philadelphia, the expanded national coverage will also allow Centro Watt to more effectively attract quality retailers to properties and strengthen the national development capability.

Centro Watt's Extensive US Coverage





Centro Whitsunday, QLD



Centro Mildura, VIC

New Centro Managed Funds Provide Co-Investment Opportunities

The Heritage acquisition has provided additional shopping centre assets to enable the creation of new Centro managed funds. Stabilised core assets from the Heritage retail property portfolio will provide a pipeline for Centro's unlisted funds through the creation of two new Centro MCS syndicates with assets of A\$2.5 billion and a new international wholesale fund called the Centro America Fund with assets of A\$1.1 billion.

The new Centro managed funds comprise stable, convenience-based shopping centres with many anchored by well known supermarket chains. Two of Centro's managed funds, the DPFI and Centro Retail Trust have acquired interests in the syndicates of 35% and 15% respectively, with the DPFI to also taking a 50% interest in the Centro America Fund. Centro's initial direct interest in each of the new international funds of approximately 50% will be progressively sold down to external investors.

Centro has received strong investor interest and support for the establishment of these new international property funds. Following the success of Centro MCS 36 and launch of Centro MCS 38, the Heritage assets will replenish Centro's pipeline of international direct property products offered through Centro's well established and diversified distribution channels throughout 2006 and 2007.



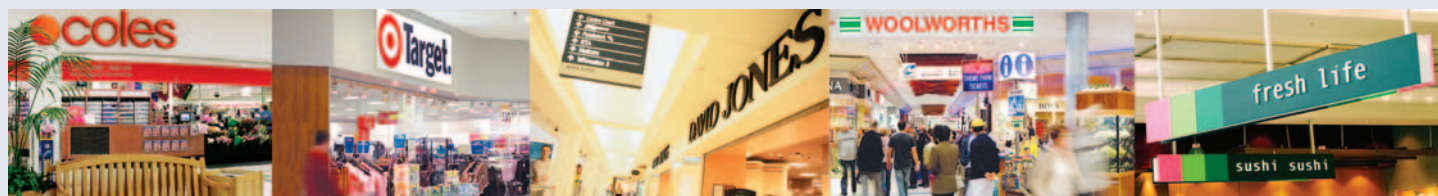
Independence Mall, North Carolina

Retail Sales and Leasing Growth

Centro's Australian managed centres achieved healthy sales growth over the 12 months to 30 September 2006 of 2.2%, with a total of \$9.3 billion in retail sales recorded across the portfolio. Mini majors and specialty retailers were the strongest performing sectors representing an engine for continued rental growth, with 8.9% and 6.5% growth respectively. Department Stores also recorded a pleasing 3.8% growth for the 12 month period.

Despite some concern about petrol prices and higher household debt, retail sales and leasing remain healthy, particularly within Centro's managed portfolio which is weighted to non-discretionary spending at convenience and sub-regional shopping centres. Over the quarter ended 30 September 2006 it has been particularly encouraging to note a resurgence in strong sales reported for August and September across all major retail categories, after more subdued sales in July.

Centro's healthy sales growth continues to drive the active retail leasing market. For the quarter ended 30 September 2006 in Centro's Australian managed centres, Centro completed 410 maintenance leasing deals, reflecting a renewal rate of 75% and average rental growth of 6.7%. In addition, for the same period, Centro's significant pipeline of development projects led to 58 development leasing deals being completed. The leasing of this new retail space (approximately 10,600 square metres) demonstrates the ongoing demand from retailers for space in quality shopping centres.





Centro Bankstown, NSW



Centro Galleria, WA

Centro MCS 38 – A Portfolio for All Seasons

Are you looking to diversify your investment portfolio? Centro MCS 38 is a highly diversified retail property portfolio providing an outstanding blend of quality US retail property. Key features of the Syndicate include:

- **Strong Tax Advantaged Returns** – The Syndicate has an attractive forecast return of 7.70% p.a (three year average) and is 100% tax advantaged for the first three years;
- **Diverse Retail Portfolio** – 20 properties across 13 US states, spanning all retail property classes from neighbourhood to regional and homemaker centres; and
- **Secure and Diverse Income Stream** – Income received from over 530 retailers with 17 properties anchored by major retailers such as Sears, Macy's and JC Penney.

To invest please call your financial adviser or alternatively call Centro Investor Services on **1800 802 400** (toll free Australia). You can also download a copy of the Product Disclosure Statement (PDS) from the website at **www.centro.com.au**.



Disclaimer

Centro MCS 38 (ARSN 119 355 298) is issued by Centro MCS Manager Limited (ABN 69 051 908 984 AFSL 238 775). The Product Disclosure Statement ('Offer Document') is available on the Centro website (www.centro.com.au) and is available to Australian based Investors on request from Centro Investor Services (Toll free 1800 802 400). Investors should read the entire Offer Document and consult with a professional investment adviser prior to deciding whether to invest in this product.

Successful 2006 AGM

Centro's AGM was held on 20 October 2006 at its corporate offices at Centro The Glen, Victoria. The well attended meeting saw securityholders vote overwhelmingly in favour of all resolutions.

Long serving Board member, Mr David Graham, retired at the conclusion of the AGM. The 21 years of Mr Graham's Directorship saw considerable change and evolution at Centro, accompanied by strong growth and returns for Centro investors and Centro thanks Mr Graham for his service.

Mr Paul Cooper was elected as a director at the meeting and is the fourth new non-executive director to be appointed to the Centro Board within the last three years. This appointment is the result of a targeted search process designed to bring particular business experience, skills and capabilities of the type possessed by Mr Cooper to Centro's Board.

Key Future Dates

Event	Expected Date*
Deadline for Participating in Special Distribution Reinvestment Opportunity	17 November 2006
75 cent Special Distribution Paid	30 November 2006
Centro Trades Ex-distribution for Half Year Distribution	21 December 2006
Record Date for Half Year Distribution	29 December 2006
Half Year Results Announced	6 February 2007
Half Year Distribution paid	23 February 2007

*Note, these dates are estimates and are subject to change

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Investor Services

Our Investor Services team is available to answer any questions you may have about your Centro investments. Please call the toll free number on 1800 802 400 (Australia) to speak to one of our Investor Services Officers.

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