



Centro Properties Group

Centro Quarterly Investor Update

30 September 2004

Key Highlights

- **On Target for 9.3% Centro DPS Growth** – Centro's earnings were up a strong 33.8% to \$57.3 million (unaudited) for the 3 months to 30 September 2004. Following the closure of Centro MCS 33 and with two further upcoming syndicate launches, Centro is "on target" for its forecast 33.4 cents distribution for the year to 30 June 2005, to provide a 9.3% increase on 2004.
- **Strong 10.7% Retail Sales Growth** – The retail sales of Centro's owned shopping centres continue to perform strongly with Moving Annual Turnover ('MAT') growth of 10.7% for the portfolio to 30 September 2004. Sales growth on a comparable basis was also up by a healthy 5.5%, even stronger than the consistent growth from the 30 June 2004 year end result of 4.9%.
- **Centro MCS 33 Successful \$100 million Capital Raising** – Centro has closed its most recent direct property fund Centro MCS 33, after successfully reaching the allocations target of \$100 million. The initial annual yield is 8.0% with a substantial tax advantaged portion. The Centro Direct Property Fund has taken a 45% interest in CMCS 33.
- **Centro Improves Financial Risk Management Profile** – Taking advantage of recent market opportunities, Centro has lengthened the average term to maturity of its borrowings to 6.4 years and increased its level of fixed rate debt to 87%. Centro also extended the average term of its foreign exchange equity hedge by 1 year to 5.1 years.
- **CT Retail Portfolio Rationalisation** – Centro and the JF Meridian Trust have announced the rationalisation of the CT Retail Portfolio. Centro will assume responsibility for the JF Meridian Trust's 50% interest in each of Lismore Central, Woodcroft Plaza, Pinelands Plaza, Buranda Plaza and Argyle Mall for \$55.12 million. JF Meridian Trust will assume responsibility for Centro's 50% interest in Taree City and Cooleman Court for \$37.30 million.

Key Centro Statistics	Post Merger – 08 October 2004	Pre Merger – 30 June 2004	Change
Centro Owned Properties	62	30	32 Properties
Centro Annual Retail Sales (MAT)	\$5.02b	\$4.22b	\$0.80b or 18.9%
Total Assets	\$4.53b	\$3.52b	\$1.01b or 28.7%
Funds Under Management	\$6.40b	\$6.40b	No change
Indexed Market Capitalisation	\$3.40b	\$2.60b	\$0.80b or 30.8%

Post 30 September Events

Successful Completion of Merger

The merger between Centro Properties Group and Prime Retail Group was successfully completed on 8 October 2004. Centro is now trading under the new ASX code: 'CNP'. Centro will commence reporting as a merged entity for the 30 December 2004 half yearly report.

Centro Raises Capital for New Acquisitions and Redevelopments

Realising benefits of the merged entity, Centro recently raised \$200 million to fund an expanded redevelopment program of its domestic centres, including at Colonnades, Bankstown and Roselands and the acquisition of three power centres in Atlanta, United States and a sub-regional shopping centre in New Zealand. The stabilised US portfolio, to be managed by the Centro Watt joint venture and potentially syndicated in 2005, is located in a strong retail market, has a long average lease duration and is securely let to key national retailers. Barrington Mall in New Zealand, at the high yield of 8.8%, adds to Centro's existing managed assets in New Zealand and is suitable for placement into another unlisted fund.

Extraordinary General Meeting to be Held on 8 December 2004

An Extraordinary General Meeting will be held at Centro's corporate office on 8 December 2004. Members will be requested to vote on the ratification of the issue of 43,103,450 Stapled Securities at \$4.64 per Stapled Security on 21 October 2004, to refresh Centro's future placement capacity.

Operating Performance Review

For the quarter ended 30 September 2004, Centro's net property ownership income grew by 5.4% on the corresponding period last year. Strong retail conditions and the acquisition of Arndale (acquired Nov 2003 – 50% syndicated in CMCS 33) contributed to the positive result.

Centro Galleria and The Glen posted strong operating profit results with 8.6% and 6.2% respective increases. Other significant increases included Halls Head (35.6%, increased base rent combined with lower overheads), Hervey Bay (23.7%, benefited from the introduction of Sunday trading) and Warwick (17.0%, benefited from redevelopment completed in November 2003).

Centro Mildura is currently undergoing a major redevelopment which is temporarily affecting income. Lutwyche, which has performed well since completion of its redevelopment in July 2003, was 50% syndicated in July 2004. The property income has therefore dropped, though reflects increased underlying performance. Victoria Gardens and Whitehorse are stabilising post development, and are expected to meet budget expectations. Both Argyle and Buranda are currently under active consideration for redevelopment which is anticipated to commence next year.

Sustainable Centro Earnings Growth

Centro has recorded a 33.8% growth in earnings for the three months to 30 September 2004, compared with the same period last year. This increase is attributable to solid underlying Centro property earnings growth, acquisitions completed during the year and a substantial increase in Services Business income. The significant increase in Services Business income is due to an increase in funds under management resulting from the acquisition of the MCS Property business, and the launches of Centro MCS 32, Centro MCS 33 and the Centro Direct Property Fund.

Sound Financial Position

In the three months since 30 June 2004, Centro's gearing has increased from 30.8% to 31.54%, though remains at the low end of the stated target gearing range of 30% to 40%.

During the quarter, total assets decreased 1% due to the sale of Keilor and 50% of Lutwyche CMCS 33 and the sell down of units in Centro MCS 33. This decrease was slightly offset by development expenditure and growth in Centro's investment in the Centro Direct Property Fund which has grown to \$292 million.

Strong 10.7% Retail Sales Growth

For the year to 30 September 2004, annual retail sales across Centro's portfolio increased 10.7% to \$4.19 billion. On a comparable basis, centre retail sales grew by 5.5%. Sales per square metre grew 3.0% for the corresponding period and portfolio.

Buoyed by positive consumer sentiment, most centres reported strong sales growth. Centro's strong performance was driven strong discount department store sales and a high specialty sales growth of 15.1% and 7.8% on a comparable basis. Homewares and the retail services, specifically opticians and hairdressers, were the fastest growing specialty retailer categories. The election campaign does not appear to have materially adversely affected September 2004 sales.

Standout performances were reported at Lutwyche (recently redeveloped), Springwood (continues to perform well post development), Arndale (strong performance from specialty retailers), Hervey Bay (recently redeveloped), Cranbourne (strong DDS sales performance) and Toombul (strong department store and specialty sales). Box Hill's sales decrease is due to the recent opening of the redeveloped Centro Whitehorse, which has strengthened and concentrated Centro's retail offering for the trade area.

Retail Sales Growth Strong for September Quarter

Total sales and sales per square metre for the twelve months to 30 September 2004 and comparison with the equivalent period in 2003 were as follows:

Centre Sales for Twelve Months ⁽¹⁾				
Centro Centre	Sales (MAT) \$000		\$ Sales per m ²	
	Sep 2004	Change %	Sep 2004	Change %
Galleria (Morley, Perth, WA)	354,552	7.1%	5,112	5.2%
Bankstown (Bankstown, NSW) - 50%	318,485	5.1%	4,894	3.0%
The Glen (Glen Waverley, VIC)	293,013	3.7%	5,973	2.9%
Roselands (Roselands, NSW) – 50%	273,182	3.5%	4,528	1.5%
Mandurah (Mandurah, WA)	257,720	4.6%	6,799	4.6%
Toombul (Toombul, QLD) ⁽²⁾	225,095	10.2%	4,998	2.5%
Karingal Hub (Frankston, VIC)	177,564	0.0%	7,135	(0.8%)
Cranbourne Park (Cranbourne, VIC) ⁽³⁾	170,982	12.4%	5,472	10.4%
Colonnades (Noarlunga, SA)	165,499	7.3%	4,513	11.3%
Arndale (Kilkenny, SA) - 50% ⁽⁴⁾	160,969	N/A	3,985	N/A
Warriewood (Warriewood, NSW)	149,863	2.1%	6,891	1.3%
Warwick (Perth, WA)	141,658	10.4%	5,758	(5.4%)
Karratha (Karratha, WA) - 50%	134,239	10.2%	6,166	5.3%
Taigum (Brisbane, QLD)	111,834	9.8%	6,242	10.8%
Victoria Gardens (Richmond, VIC) -50% ⁽⁵⁾	111,153	N/A	3,669	N/A
Lavington (Albury, NSW)	102,398	0.4%	6,002	(4.1%)
Southport (Southport, QLD)	99,872	8.7%	5,817	26.8%
Box Hill (Box Hill, VIC)	98,774	-2.3%	4,441	(5.4%)
Tweed (Tweed Heads, NSW)	95,519	7.9%	6,119	9.4%
Taree (Taree, NSW) - 50%	92,567	7.3%	6,333	4.9%
Mildura (Mildura, VIC)	85,901	0.6%	5,778	6.6%
Mornington (Mornington, VIC)	83,860	4.4%	6,844	(0.2%)
Westcourt (Cairns, QLD)	72,304	5.8%	4,353	2.6%
Argyle Mall (Goulburn, NSW) - 50%	71,059	3.5%	7,960	4.4%
Springwood (Springwood, QLD) ⁽⁶⁾	70,077	12.4%	5,034	9.8%
Lutwyche (Lutwyche, QLD) - 50% ⁽⁶⁾	69,515	27.0%	6,454	15.3%
Hervey Bay (Hervey Bay, QLD) ⁽⁶⁾	68,968	13.9%	5,725	8.9%
Whitehorse (Box Hill, VIC) ⁽⁷⁾	54,396	N/A	4,922	N/A
Halls Head (Mandurah, WA)	39,657	3.4%	6,236	(0.8%)
Buranda Plaza (Brisbane, QLD) - 50%	38,777	2.3%	5,692	3.1%
Total	4,189,452	10.7%	5,556	4.6%

Category MAT	\$'000	% Change	Comparable
			Growth %
Department Stores	224,817	9.6%	3.1%
DDS	678,515	9.0%	6.1%
Supermarkets	1,452,499	6.4%	3.1%
Total Majors	2,355,831	7.4%	4.1%
Specialties	1,833,621	15.1%	7.8%
Total	4,189,452	10.7%	5.5%

(1) Centro property results (pre-merger)

(1) Sales include GST and exclude marketing

(2) Strong Department store and specialty sales

(3) Strong DDS sales performance

(4) Acquired January 2004. Strong specialty store sales

(5) Development completed in October 2003

(6) Springwood, Lutwyche & Hervey Bay: Sales growth reflects benefits of recently completed redevelopments

(7) Redevelopment completed in July 2003

Asset Redevelopment Program

Centro is currently undertaking a number of significant centre redevelopments as a part of its active management approach to retail property. Recently completed developments that opened in October 2004 include Centro Victoria Park, Centro Keilor and Sunshine Marketplace. Major developments currently underway or soon to commence include:

Starzone Karingal

Already underway is Starzone, an exciting new entertainment precinct with a total development cost of \$25.2 million. The precinct will comprise of a ten screen Village Cinema complex including V-Max and three Gold Class cinemas, a proposed gymnasium of 2,000m² and 1,800m² of additional retail to consist of leisure and entertainment orientated shops. The development is anticipated to open in May 2005.

Karingal Hub

The Karingal Hub redevelopment with a total cost of \$28.7 million will comprise a new mall linking Big W and a refurbished food court, a new facade, a Centro 'Fresh Life' food precinct and new terrazzo tiling throughout the centre. Big W and Safeway will also complete a store refurbishment to coincide with the redevelopment. On completion, the centre will be re-branded to Centro Karingal. Leasing has progressed well with Best & Less signing a new lease, the Reject Shop and the Pharmacy expanding. TAB will relocate to the adjacent Starzone.

Centro Colonnades

A major redevelopment of Colonnades is planned to commence in late in 2004 with the first stage expected to open in late 2005. The development will include a new Big W, Woolworths and Woolworths Petrol stores, new 'Diners Life' and 'Fresh Life' food precincts, a new mall with 80 additional specialty shops, refurbishment of the existing Harris Scarf store, an upgrade of existing public areas and an additional 1,000 car parking spaces. The total cost is estimated at \$93 million.

Centro Bankstown

Centro Bankstown is planned for a major redevelopment commencing in March 2005. The development will include a new Big W incorporating a garden centre, a new relocated Woolworths supermarket, two new specialty malls with kiosks, an expansion of the Franklins supermarket, new rooftop pad sites and an additional 1,013 car parking spaces. The total cost is estimated at \$89.5 million. The development is expected to be completed in September 2006.

A summary of major approved developments presently in progress include:

Project	Est. Total Cost	Anticipated Completion
Colonnades, SA	\$93.0 m	Planned May 2006
Bankstown, NSW	\$89.5 m	Planned September 2006
Roselands, NSW	\$57.4 m	Planned November 2005
Mildura, VIC	\$34.5 m	Planned October 2005
Karingal – Stage 2, VIC	\$28.7 m	Planned December 2005
Lavington, NSW	\$27.5 m	Planned June 2005
Karingal – Starzone, VIC	\$25.2 m	Entertainment precinct, May 2005
The Glen – Retail, VIC	\$11.2 m	Planned November 2005
Total:	\$367.0 m	

For further information please call:

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