
# Substantial Platforms for Sustainable Growth

**Centro Properties Group 2006 Results Presentation**
**August 2006**

# Substantial Platforms for Sustainable Growth

1. **2006 Centro Highlights**
   - Andrew Scott – Chief Executive Officer
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   - Philippa Kelly – Centro Fund Manager
3. **Sustainable Growth**
   - Graham Terry – Chief Operating Officer
4. **Centro Cemented Co-Investment Model**
   - Andrew Scott – Chief Executive Officer

Centro™


# 2006 Centro Highlights

- Andrew Scott

Centro™

# Significant FY06 Performance Highlights

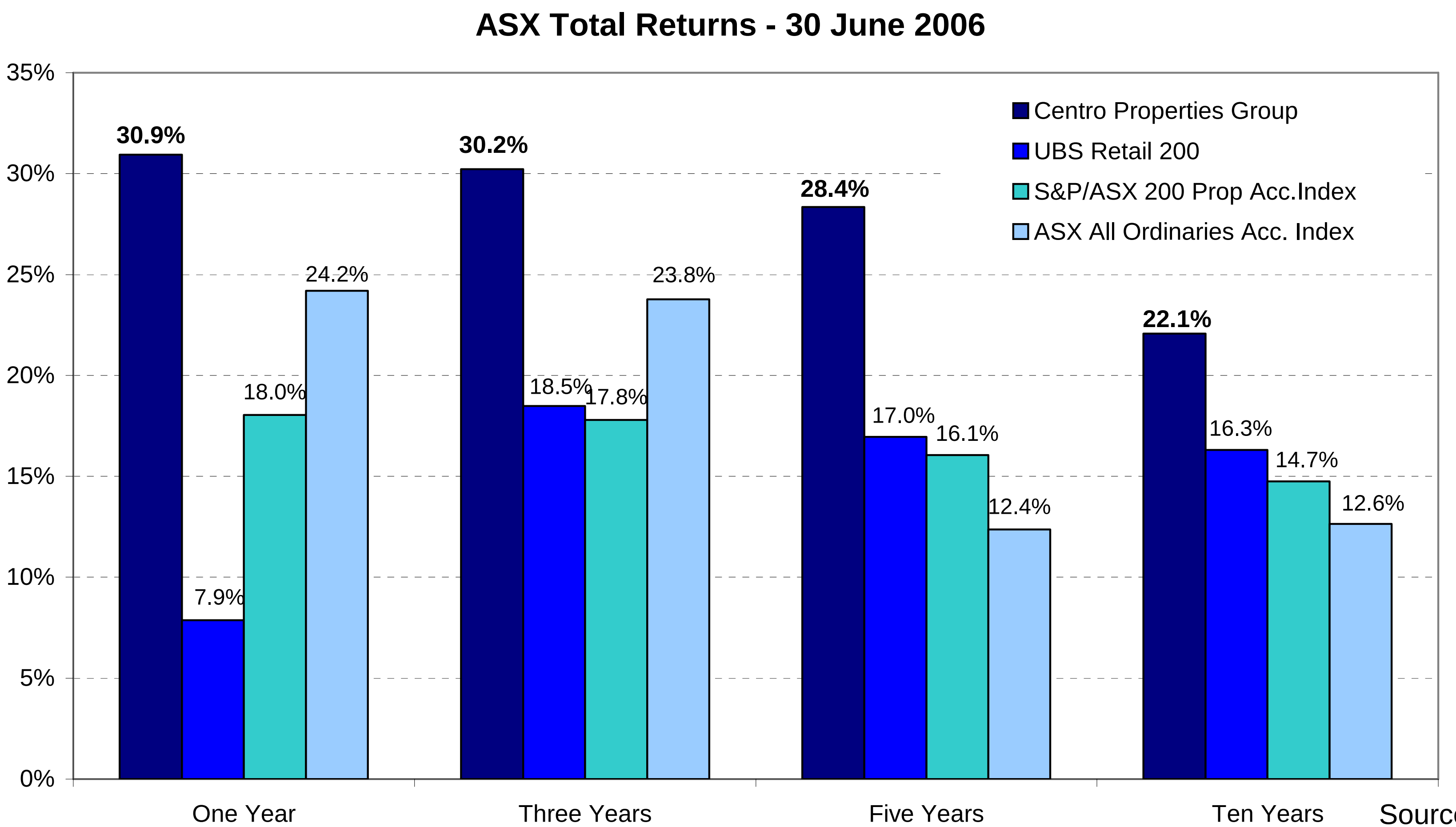
- Centro Business Model Evolves
- Higher Co-Investment Funds Inflows
- Strong Property Earnings Growth Continues
- $407m Developments and A$1,380m Property Acquisitions Completed
- US Platform Integrated and Australian Team Bench Strength Grows & Matures
- Strong Returns Profile Continues with 9.5% DPS Growth & CER Spin-off Capital Return

# Centro Delivers for 2006

| | | |
|---|---|---|
| **Continuing Property Income** ↑ | 4.7% | $104.9m |
| **Retail Sales** (FUM MAT Growth per SCCA) ↑ | 3.2% | $9.2bn |
| **Services Business Income** ↑ | 79.3% | $103.3m |
| **Property Funds Under Management** ↑ | 26.4% | $11.5bn |
| **Distributable Profit** ↑ | 16.5% | $295.3m |
| **Distributions per Security** ↑ | 9.5% | 36.8c |

# Stand Out Performance Track Record

Centro™




Source: UBS

- Centro's long term outperformance – Highest performing LPT over 10 years


# Substantial Platforms

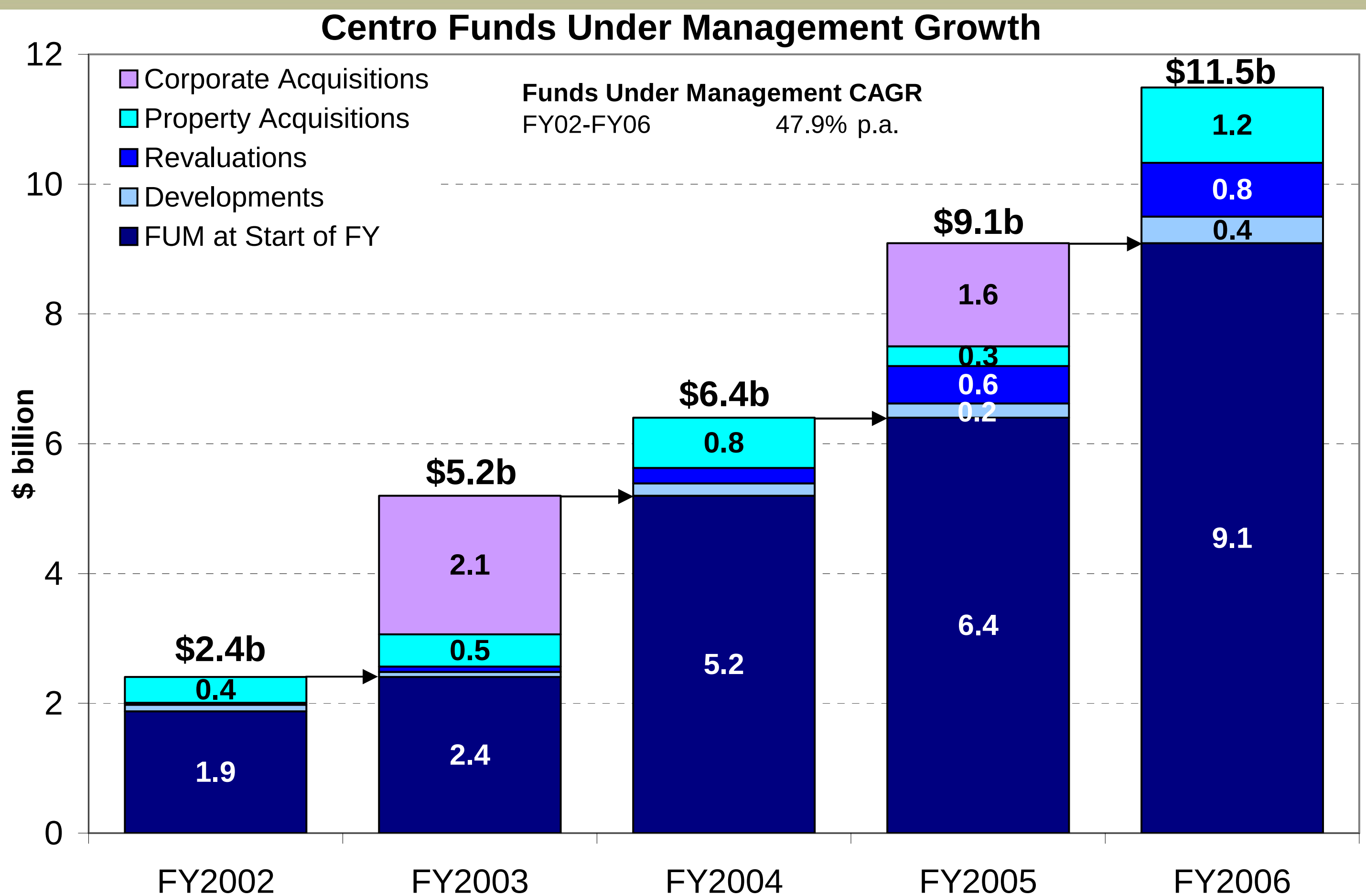
- Philippa Kelly

Centro

# Substantial $15.8bn Retail Property Platform

- Property Platforms - Post Heritage Acquisition
  - Assets Under Management 51% Australia, 49% United States
  - Centro 2nd Largest Retail Property Owner/Manager in Australia
  - Centro Watt 9th Largest Retail Property Owner/Manager in United States
- High confidence of Heritage transaction completion with settlement estimated October 2006

# Strong History of FUM Growth




- Consistent high Centro FUM growth organically and externally through acquisitions

# Strong Record of Intrinsic FUM Growth

| Year | Intrinsic FUM Growth Acquisitions[1] | Developments | Total Annual Growth |
|---|---|---|---|
| FY03 | 21% | 3% | 116% |
| FY04 | 16% | 4% | 23% |
| FY05 | 5% | 3% | 42% |
| FY06 | 13% | 5% | 26% |
| **Average 03-06** | **14%** | **4%** | **n/a** |

**1 Excludes all significant corporate acquisitions**

- Historical 18% average intrinsic growth on current $11.5bn* FUM represents annual growth of $2.1bn in new FUM

* Pre A$4.3bn Heritage acquisition

# $1.1bn Conservative FUM Growth Estimate

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- **Historic Intrinsic Growth Implies FUM Growth of $2.1bn**
- **Prudent Assumption of c.50% Historic Annual Intrinsic Growth**
- **Assumption Implies Sustained $1.1bn p.a. New FUM Growth from 2007 by:**
  - A$500m US property acquisitions
  - A$300m Australian property acquisitions
  - A$250m in Australian developments
  - A$50m in US developments
- **New FUM Delivers Services Business Growth**
  - Growth in Centro's FUM can deliver sustainable cemented net revenue streams

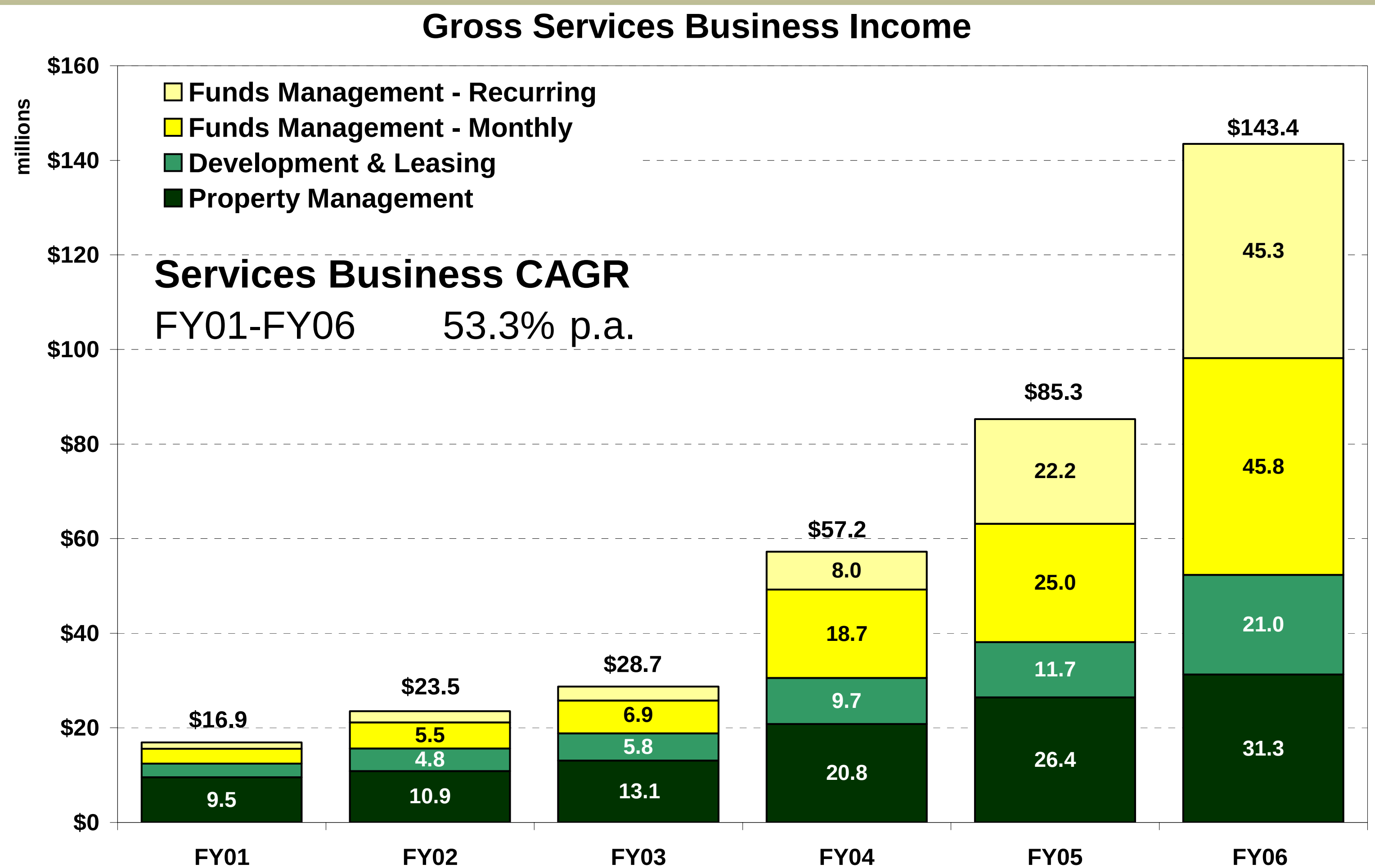
# Sustainable Earnings Growth

Centro

| Financial Performance | June 06 $m | June 05 $m | Change % |
|---|---|---|---|
| Australian Property Investment Income | 182.0 | 223.3 | -18.5% |
| Offshore Property Investment Income | 40.6 | 44.3 | -8.4% |
| Property Securities Investment Income | 65.0 | 28.2 | 130.5% |
| Property Investment Overheads | (20.3) | (23.9) | -15.1% |
| **Net Property Investment Income** | **267.3** | **271.9** | **-1.7%** |
| Property Management Income | 31.3 | 26.4 | 18.6% |
| Development Management & Leasing Income | 21.0 | 11.7 | 79.5% |
| Funds Management Income - Monthly | 45.8 | 25.0 | 83.2% |
| Funds Management Income - Other Recurring | 45.3 | 22.2 | 104.1% |
| Property Services Overheads | (40.1) | (27.7) | 44.8% |
| **Net Property Services Income** | **103.3** | **57.6** | **+ 79.3%** |
| **EBIT** | **370.6** | **329.5** | **+ 12.4%** |
| Interest | 75.3 | 76.1 | -1.1% |
| **Operating Distributable Profit** | **295.3** | **253.4** | **+16.5%** |
| Revaluation Gains | 335.0 | 467.0 | n/a |
| Financial Instruments | 52.0 | 5.0 | n/a |
| Other AIFRS Adjustments | (18.1) | 49.0 | n/a |
| Net AIFRS Profit | 664.2 | 774.4 | -14.2% |
| **Distribution per Security (cents)** | **36.8** | **33.6** | **+ 9.5%** |

- Continuing movement from direct property income to leveraged investment income
- Growing JV contribution of substantial national US platform

# Sustainable Services Business Delivers Significant Growth




- 70% of Services Business income streams based on income rather than capitalisation rate movements

# Growing FY06 Centro Services Business Income Streams

Centro™

- **Property Management ($31.3m gross income, 22% contribution)** – Based upon gross property income and averages 3.5% on all assets under management
- **Development Management & Leasing ($21.0m, 15%)** – Based on 5% development management fee, and project and maintenance leasing fees (10% of gross rentals where applicable)
- **Funds Management Monthly ($45.8m, 32%)** – Fees accrued monthly including funds management/RE fees, amortisation of 70% of syndicate establishment fees and custodian fees
- **Funds Management Recurring ($45.3m, 31%)** – Based on recurring rollover/success fees, 30% of syndicate establishment fees and financing & acquisition fees

# Sustainable Syndicate Rollover and Success Fees

Centro™

- **Syndicate Rollover and Success Fees Grow –** Strong increases from June 2006 revaluations

| Forecast Rollover and Success Fees* | |
|---|---|
| FY06 (Actual) | $11.3m |
| FY07 | $15.6m |
| FY08 | $18.1m |
| FY09 | $20.2m |
| FY10 | $20.5m |

*Based on valuations at 30 June 2006

- **49% Increase from Prior Forecast –** No further valuation growth assumed
- **All Syndicates Now Over Rollover Threshold –** For forecast period
- **$1.55 for Every $1 Invested in Syndicates –** Weighted average CMCS syndicate NAB of $1.55 at June 06

# Strong Property Income and Revaluations Growth

Centro

- **Strong Centro $281m Book Valuation Gain From Domestic Property Revaluations**

| Centre Type | Weighted Average Capitalisation Rate June 2006 | Weighted Average Capitalisation Rate June 2005 |
|---|---|---|
| Regional | 5.94% | 6.37% |
| Sub Regional | 6.56% | 7.02% |
| Convenience | 6.79% | 7.35% |
| **Total** | **6.26%** | **6.75%** |

- **US Managed Property Revaluations** – Strong Californian valuation gains and East Coast asset values stable and confirmed
- **Property Income Growth Protects From Cap Rate Softening** – Impact of 25 basis point cap rate softening p.a. on property values offset by 3% p.a. property NOI growth

# Centro's Point of Difference in Unlisted Funds Management

Centro™

- **Established, Diverse and Growing Distribution Channels**
  - $426m successfully raised in FY06 through financial advisers, direct investors, wholesale and administration platforms
- **Superior Performance Track Record**

| | Total FUM ($m) June 2006 | Total FUM ($m) June 2005 | FY06 External Equity Raising ($m) | Total Returns 1 Year | Total Returns 3 Years |
|---|---|---|---|---|---|
| DPF | 751 | 404 | 240 | 18.2% | 16.4% |
| DPFI | 440 | 0 | 55 | 11.6% | n/a |
| Centro MCS Syndicates | 5,300 | 3,800 | 131 | 25.3% | 22.8% |
| **Total** | **6,491** | **4,204** | **426** | | |

- **Strong Market Position and Centro Brand**
  - Australia's largest syndicator with >20% market share with innovative managed funds products (DPF & DPFI) are well placed to attract further investors
- **Investor Demand Allows Centro to Accelerate Cemented Co-Invested FUM Growth**

# Investor Demand for International Retail Property

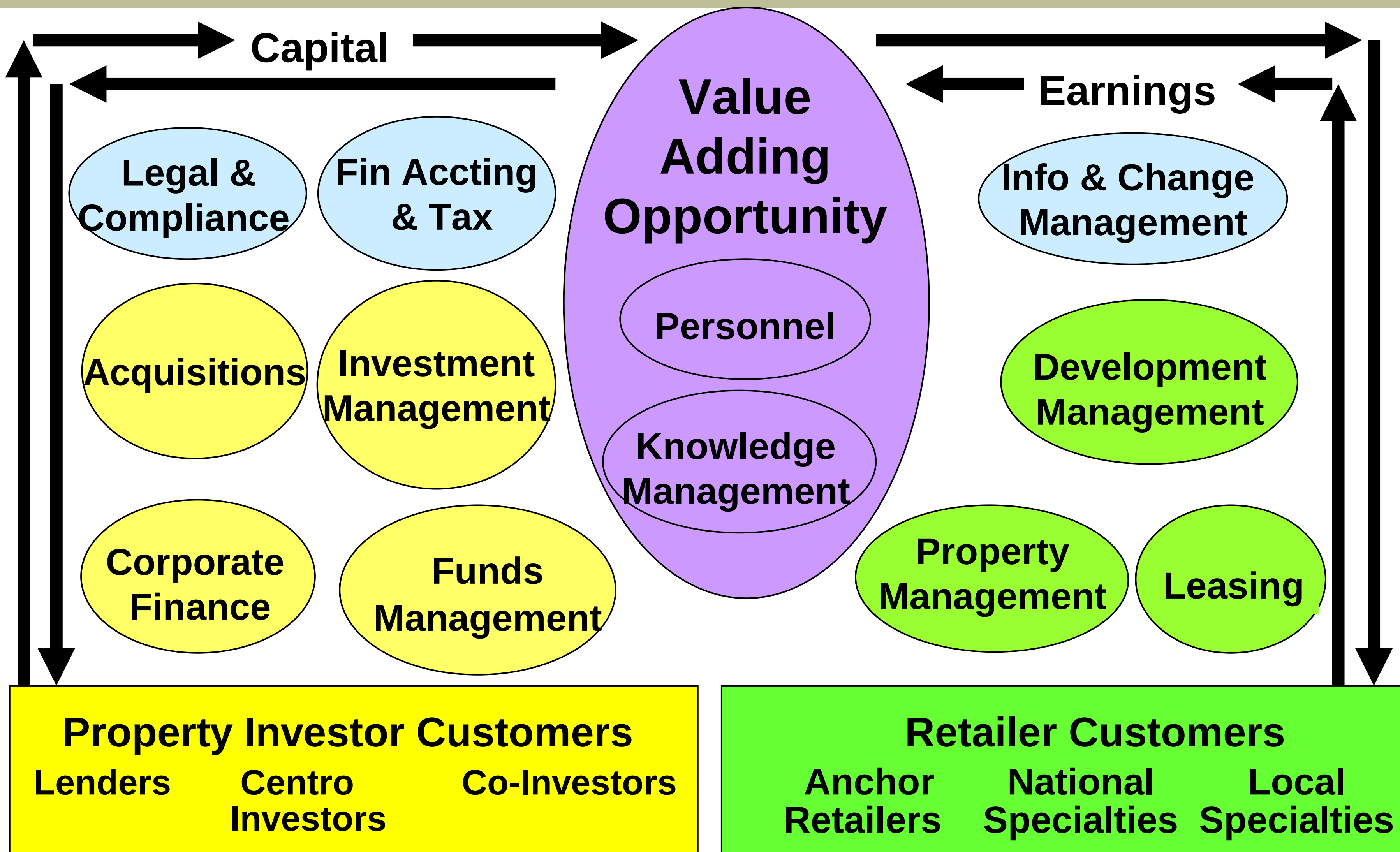
| External International Equity Raisings | |
|---|---|
| Centro MCS 32 – FY04 | $88m |
| Centro MCS 35 – FY05 | $61m |
| Centro MCS 36 – FY06 | $98m |
| Direct Property Fund International – FY06 | $55m |
| **Total Equity Raisings** | **$302m** |

- **High Investor Demand for International Raisings**
  - Recent international syndicate equity raisings successfully filled by high investor demand
- **Strong Yield and Total Returns from DPFI**
  - New international diversified open-ended fund delivers high returns
  - Quality, convenience based US retail properties provide secure investment opportunities

# Syndicate Demand and Pipeline

- **Centro MCS 37 – Closing Soon**
  - Over 47% of equity raising already received for Australian food and convenience based retail portfolio
- **Centro MCS 38 – First $1bn Syndicate**
  - Significant support for largest ever retail property syndicate offered in Australian market
  - Centro co-investment through DPFI and CER
- **Future International Syndicates – $440m of Product Available for External Raisings**
  - A$2.5bn Heritage assets provides two or more Centro MCS syndicates

# Centro Customer Focused Value Adding Team



# Centro's Established Management Platforms

Centro

- **Australia**
  - Retail Property Specialist Platform - Knowledge, experience and passion for retail property
  - Largest Provider of Retail Space to Coles & Woolworths
  - Diverse & Dedicated Team - State based management structure with dedicated leasing, marketing and development teams - 696 domestic staff

Centro Properties Group

- **United States**
  - Significant JV scale with fully integrated Centro Watt national platform
  - Bases in East Coast (Philadelphia) and West Coast (Los Angeles)
  - Strong national retailer relationships
  - Regional Management Team - 240 US employees with six senior Centro staff seconded to US
  - Centro Watt to be 9th largest US retail property owner

Centro Watt

# Sustainable Increase to Centro Earnings from New FUM

| Services Income DPS Contribution | Net FUM Margin |
|---|---|
| Property Management | 0.23% |
| Leasing & Development Mgmt | 0.11% |
| Funds Management Monthly | 0.76% |
| Net Margin | 1.10% |
| **Forecast Sustainable Net Margin From New FUM** | **1.00%** |

- **Sustainable 1.0% Margin from New FUM** – Services Business income can grow under Centro's Cemented Co-investment Model by a sustainable 1.0% of forecast annual $1.1bn new FUM growth
- **Contributes Continuing 3.5% p.a. growth to DPS**

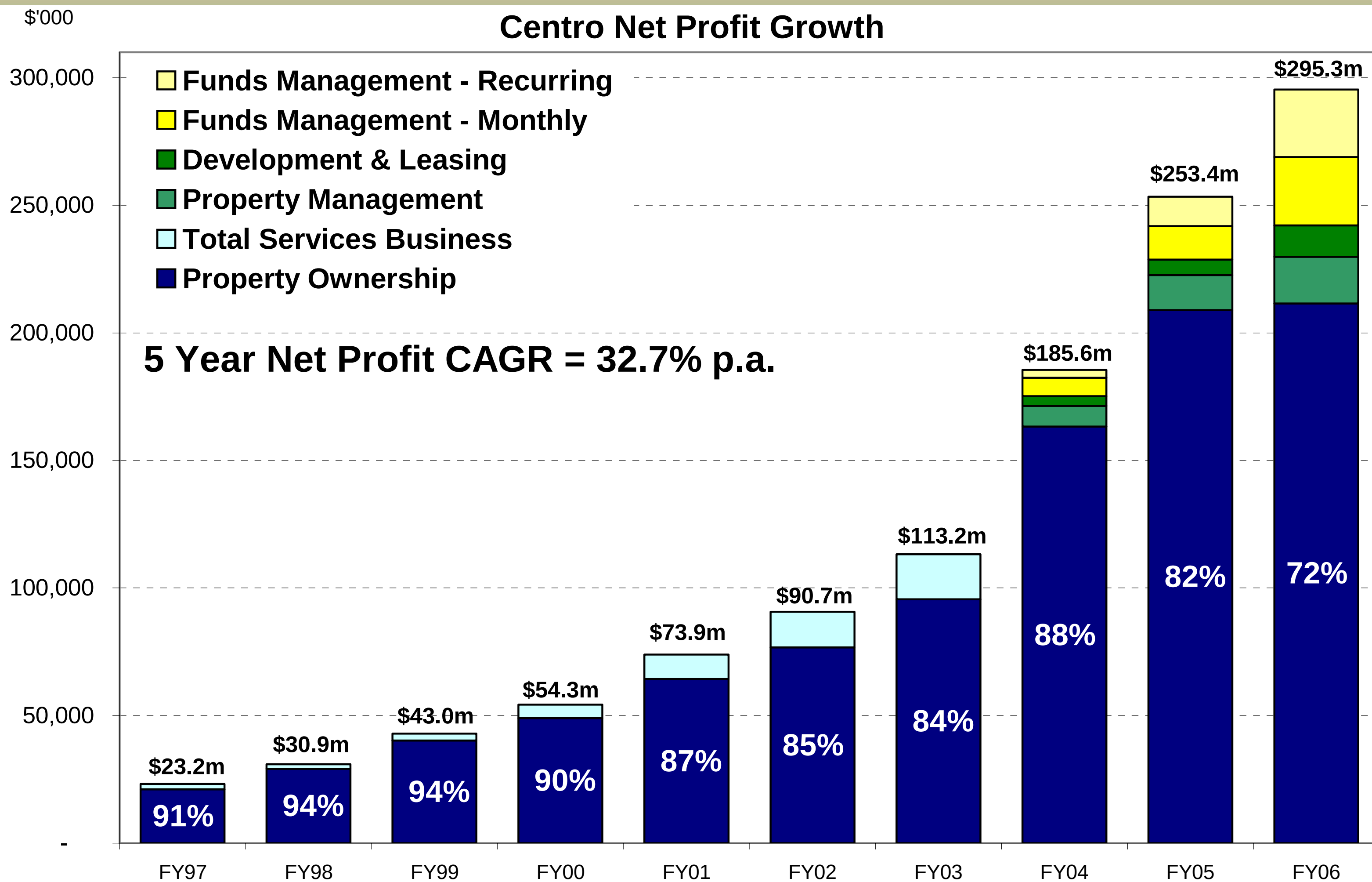
# Services Business Strength

- **Substantial FUM Platform**
  - US and Australian asset and management platforms now large with proven capabilities
  - Services Business streams from FUM sustainable
- **Substantial Services Business Platforms**
  - Platforms now large and diverse with strong replicability
  - Funds management track record and point of difference
  - International asset distribution capabilities clear
- **Services Business Forecast to Contribute 3.5% p.a. to DPS Growth**
  - Based on conservative forecasts, $1.1bn deliverable
  - Services Business should deliver 1.0% p.a. on new FUM
  - Services Business should deliver 3.5% p.a. sustainable DPS growth


# Sustainable Growth

- Graham Terry

# Property Ownership Income – The Heart of Centro




- FY06 “look through” property ownership EBIT 77%

# Completed Developments Add Portfolio Value

Centro

| Centre | Value | GLA Added ($m^2$) | Stabilised Yield |
|---|---|---|---|
| Centro Bankstown (Stage 1) | $85.0m | 15,608 | 7.6% |
| Centro Colonnades (Stage 1) | $72.0m | 18,538 | 8.7% |
| Centro Whitsunday | $56.0m | 22,233 | 7.1% |
| Centro Karingal | $54.5m | 12,527 | 7.5% |
| Centro Mildura | $39.1m | 3,879 | 9.2% |
| Centro Lavington | $33.1m | 3,507 | 7.2% |
| Centro Goulburn | $26.8m | 4,228 | 7.4% |
| Six Other Developments | $40.1m | 11,693 | 8.9% |
| **Total/Weighted Average** | **$406.6m** | **92,213** | **7.9%** |

- **Sustainable Growth**
  – $407m completed developments
  – Creation of over 92,000m² GLA at 8% yield

# High Quality Shopping Centres

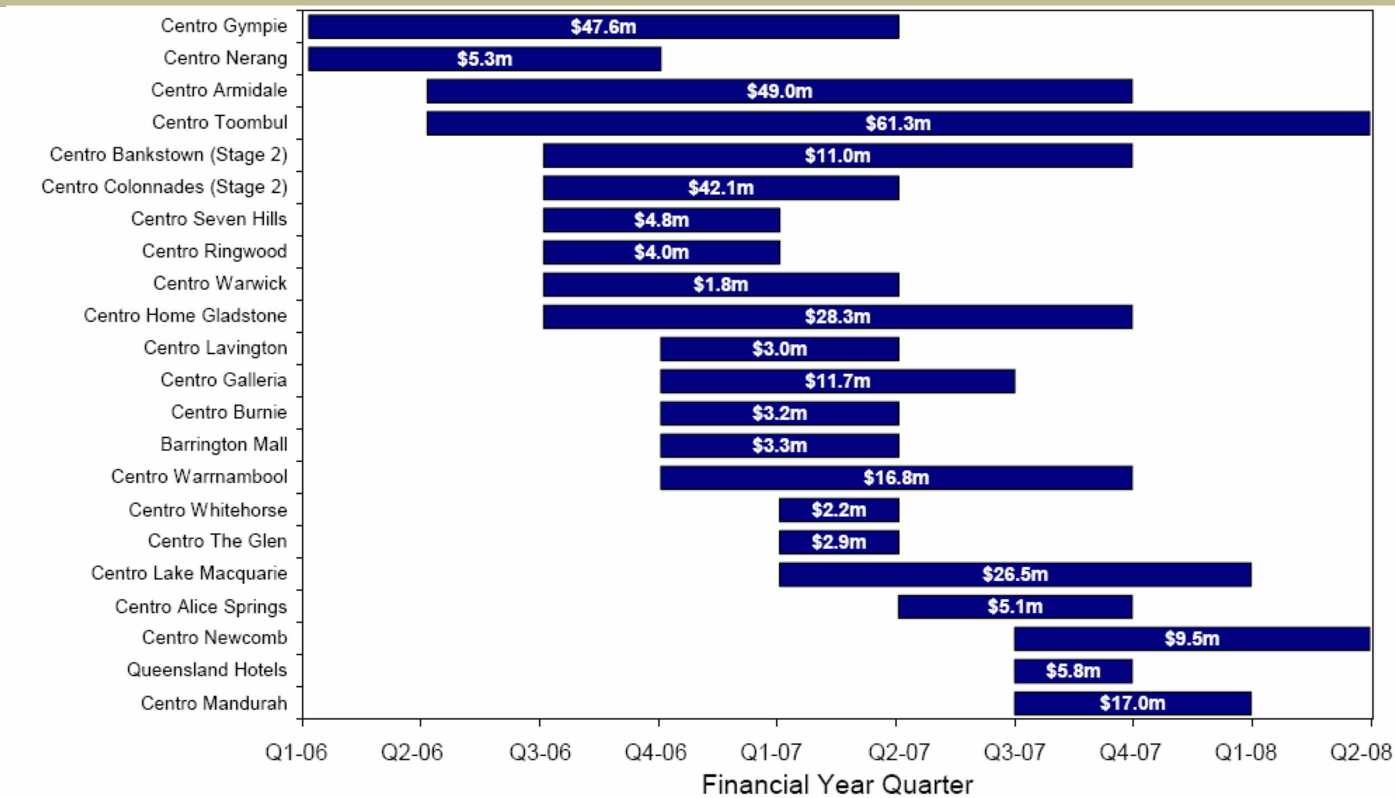
Centro Karingal


Centro Bankstown

Centro The Glen

Centro Mildura

# $362m Board Approved Development Pipeline




- Pipeline replenished to A$362m following completion of major projects at Centro Bankstown, Centro Colonnades and Centro Karingal
- A$410m of additional FY07-FY09 identified Australian projects in feasibility stage
- $50m US development program expected per annum from FY08

# Resilient Centro Retail Sales

Centro

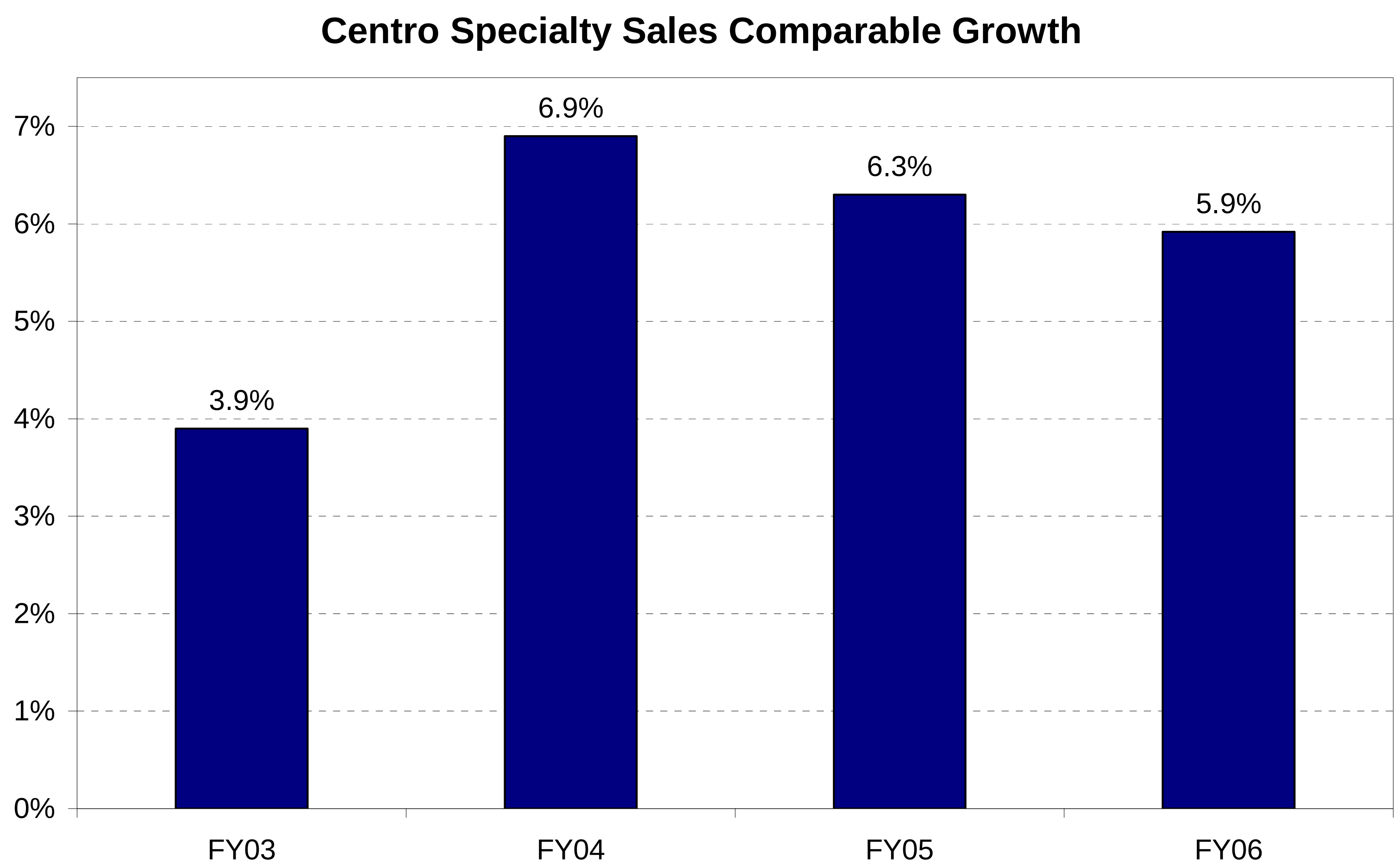

- **Strong Stable Sales Growth**
  - Centro owned centres growth 3.5%
  - Centro FUM growth 3.2%
  - Fresh food and homewares leading growth sectors

| | SCCA Sales Growth | |
|---|---|---|
| | FUM | Centro |
| Regional | 3.6% | 3.5% |
| Sub Regional | 3.1% | 3.6% |
| Neighbourhood | 2.3% | 3.3% |
| **Total** | **3.2%** | **3.5%** |

- **Western Australia and Queensland Strongest States –** Centro's Australian FUM geographically weighted by value 18% in WA and 18% in Qld ensuring high exposure to key growth states
- **Best Performing Stable Properties –** Victoria Gardens (+13.1%), Centro Hervey Bay (+10.0%), Centro Karratha (+9.2%), Centro Whitehorse (+8.0%), Centro Mandurah (+7.1%)
- **Recently Opened Developments Thriving –** Centro Bankstown, Centro Colonnades and Centro Mildura all trading above retailer expectations since opening with high foot traffic

# Specialty Retailers Strong Growth

Centro




- Specialties contribute approximately 75% of FY06 gross property income

# Healthy Retail Leasing

Centro

- Majors leases 9.9% above budget resulting in capital value increase of $22.8m @ 7.0% yield

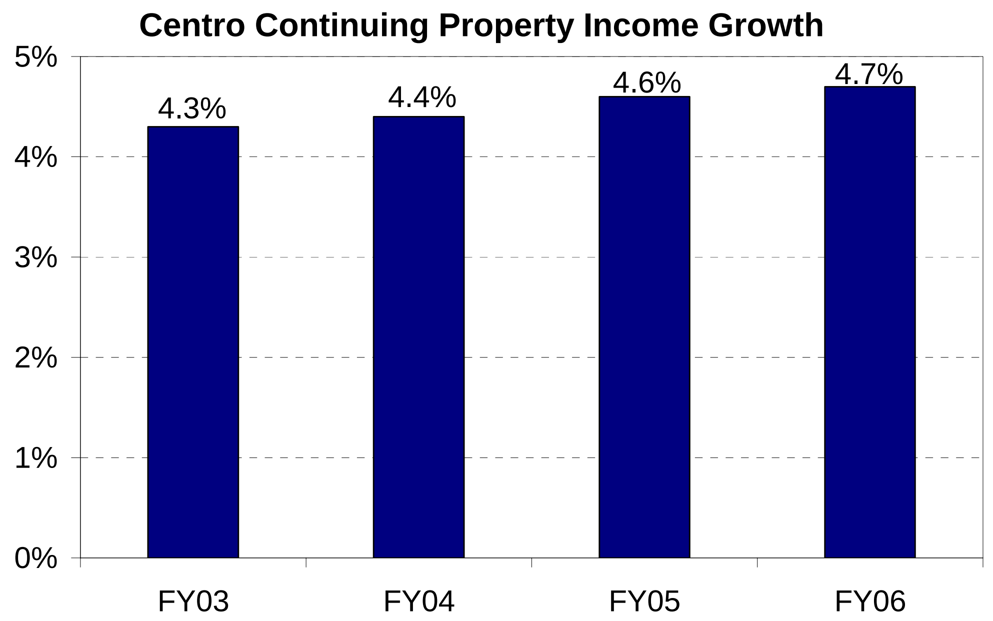
| Year Ended June 2006 | No of Deals | Achieved Gross Rental ($m) |
|---|---|---|
| Woolworths | 8 | $8.6 |
| Coles Group | 5 | $3.7 |
| Other (Action, Food for Less, IGA, Harvey Norman) | 8 | $5.3 |
| **Total** | **21** | **$17.6** |

- Over 81% lease renewal rate reflects strong retailer demand and also provide opportunities for remixing

| Year Ended June 2006 | Centro FUM | Centro Owned |
|---|---|---|
| Maintenance leasing rental growth | 6.9% | 6.7% |
| Maintenance incentives per deal (months) | 1.4 | 1.4 |
| Maintenance incentives below budget | (22.2%) | (22.7%) |
| Specialty lease renewal rate | 81.1% | 81.5% |
| Development leasing income above budget | 11.3% | 11.1% |
| Development incentives below budget | (18.1%) | (15.8%) |

# Strong Consistent Property Income Growth

- **Centro Assets Delivered 4.7% Continuing Property Income Growth in FY06**




- **Centro Property Investment Base now Established and Diversification Continues**
- **Continuing Property Investments Forecast to Contribute 3.5% Sustainable DPS Growth**

# Strong US Retail Environment

Centro

- **Centro Watt Leveraging Benefits from National US Presence**
- **Good Leasing Results for Managed Portfolio**

| US FUM Leasing to 30 June 2006 | |
|---|---|
| Maintenance Lease Deals | 217 |
| Rental Growth | 10.8% |
| Lease Renewal Rate | 68.2% |

- **Solid Retail Sales Performance –** National Retail Federation reported 6.7% retail sales growth
- **Two US Developments Successfully Completed**
  - Ocean Heights A$13.2m, stabilised yield 10.0%
  - Whitehall Square A$6.2m, stabilised yield 10.0%
  - Development platform for future growth

# Challenges in Changing Retail Landscape

- **Centro Retailer Relevance**
  - Largest provider of retail space to Coles and Woolworths
- **Coles Group –** Positive outcome from rebranding strategy
- **Woolworths –** Nine new store openings with Centro developments
- **Myer –** New ownership provides value adding opportunities
- **David Jones –** Development opportunities at Centro Bankstown and Centro Toombul
- **Specialties –** New formats and retailing concepts e.g. Macro Wholefoods

# Retail Property Strength

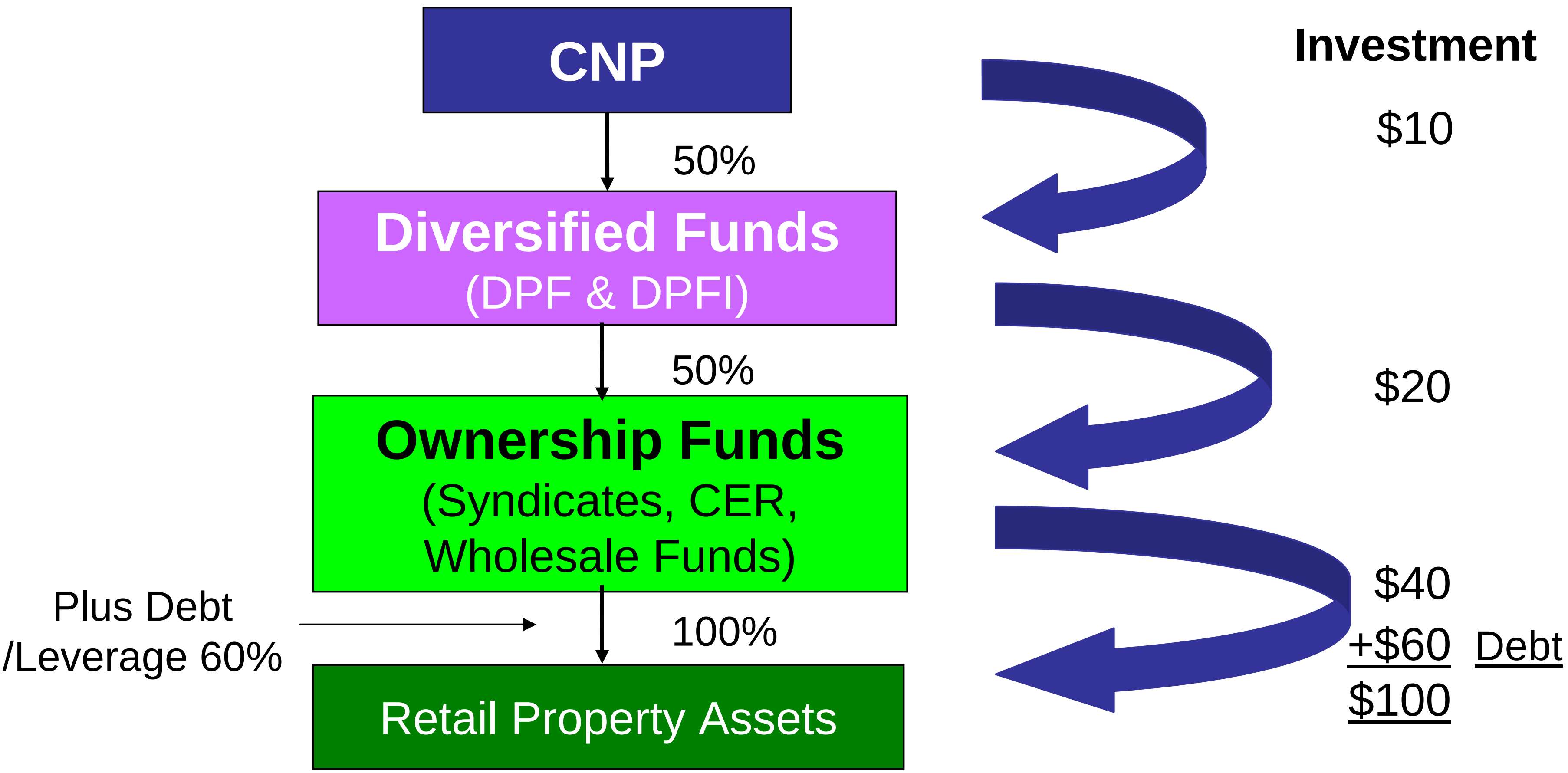
Centro™

- **Sustainable US and Australian Platforms**
  - Large scale US and Australian asset and management platforms with proven capabilities
  - Services Business streams from FUM sustainable
- **Retail Property Asset Category Strength**
  - Retail property continues to deliver
  - Centro development and management track record continues
  - International platform capabilities established and evolve
- **3.5%+ DPS Growth From Property Income**
  - 3.5%+ DPS growth is deliverable from Centro property investment portfolio


# Centro Cemented Co-Investment Model

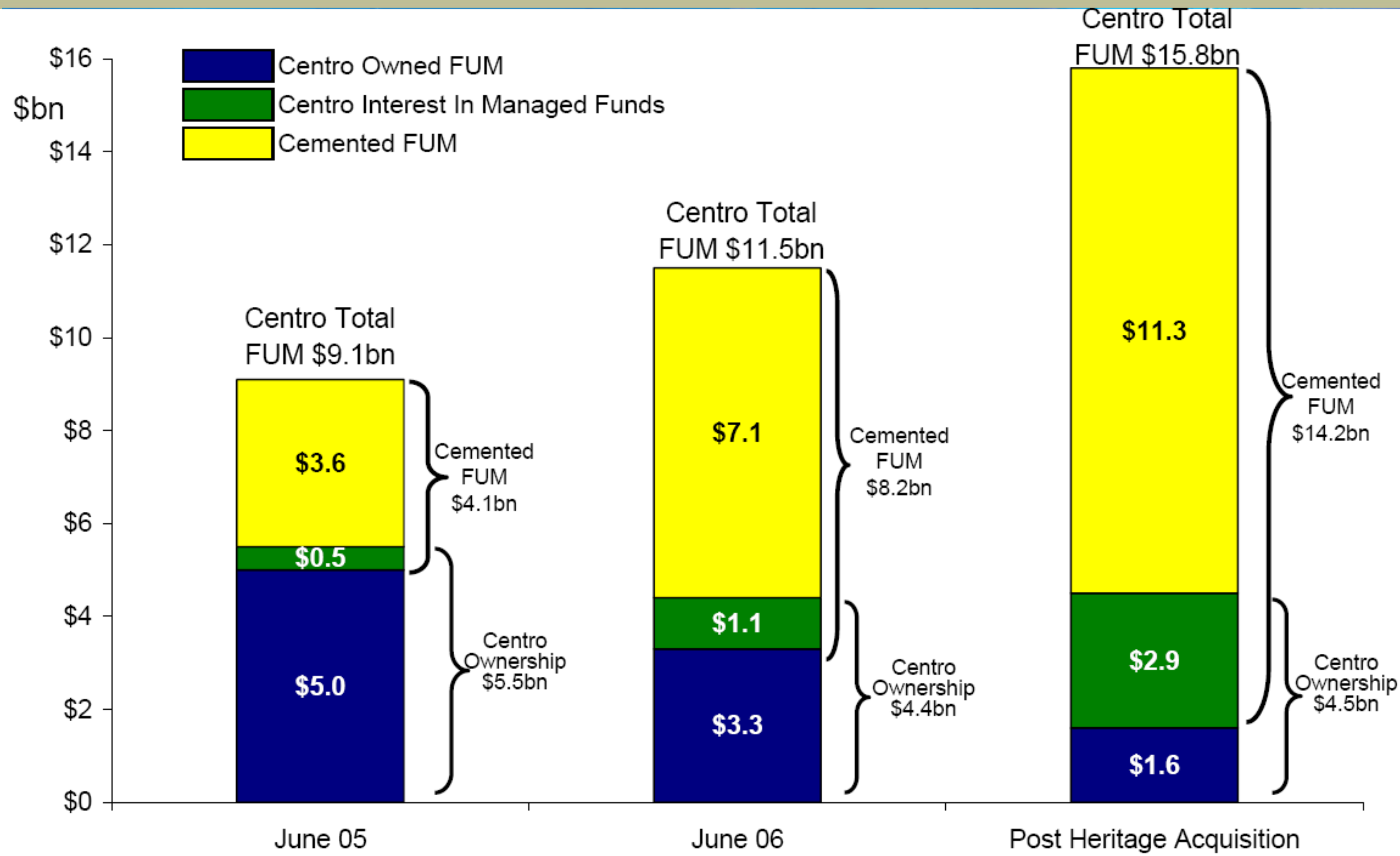
- Andrew Scott

# Centro's Cemented Co-Investment Structure




- Two level ownership structure enables "cementing" of assets with 25% effective asset ownership

# Acquisitions Grow Cemented FUM




- Post Heritage acquisition, $14.2bn or 90% of Centro FUM cemented by Centro equity of $2.9bn

# Strong Financial Position Maintained

Centro™

| Financial Position | Jun 06 $m | Jun 05 $m | Change % |
|---|---|---|---|
| **Total Assets** | **5,152** | **6,145** | **-16.2%** |
| Financed by: | | | |
| Borrowings | 1,537 | 2,651 | -42.0% |
| Other Liabilities | 337 | 381 | -11.5% |
| Equity | 3,278 | 3,113 | + 5.3% |
| | **5,152** | **6,145** | **-16.2%** |
| Book Gearing Ratio | 26.3% | 42.4% | -38.0% |
| **Lenders Look Through Gearing Ratio** | **26.1%** | **42.5%** | **-38.6%** |
| Interest Cover (x) | 4.9 | 4.3 | + 14.0% |
| Net Tangible Asset Value per Security ($) | 3.63 | 3.60 | + 0.8% |

- **Prudent Target Gearing/Leverage Range Maintained**
  - Centro target gearing of 30-40% and lenders look-through gearing of 35-45% continues
  - Low lenders look-through gearing increases to 45% after Heritage settlement and reduces to 34% after sell down of new funds

# Active Financial Risk Management Continues

- **Efficient Balance Sheet Usage Enables Growth**
- **Diligent Debt and Interest Rate Management**
  - Long range, multi-currency, staggered debt maturity of 4.2 years
  - Average A$ interest rate maturity of 6.4 years
  - Average US$ interest rate maturity of 5.7 years
- **Effective FX Risk Management**
  - Substantially eliminated by way of natural hedges through foreign currency borrowings and through active and conservative hedging

# Property and Services Business Growth Drives DPS

| | Jun-06 | Jun-05 | Jun-04 | Jun-03 | Jun-02 |
|---|---|---|---|---|---|
| Continuing Property | 4.7% | 4.9% | 4.4% | 4.3% | 1.5% |
| Services Business | 13.9% | 5.1% | 3.0% | 3.8% | 5.4% |
| Capital Management* | -9.1% | 0.0% | 4.1% | -3.7% | -2.3% |
| **Underlying DPS Growth** | **9.5%** | **10.0%** | **11.5%** | **4.4%** | **4.6%** |

* Includes new asset acquisition growth and CER capital return in June 2006

- DPS compound annual growth rate 7.6% for last 10 years
- Centro Business Model and focus on ROE leads to no further dilution from Centro equity issuance

# Sustainable Increase to Earnings Growth Guidance

Centro™

- Property Income Growth from Continuing Investment Can Deliver Sustainable 3.5%+ DPS Growth per Annum
- Intrinsic FUM Growth and Services Business Can Deliver Sustainable 3.5%+ DPS Growth per Annum
- Sustainable Centro DPS Growth of 7% per Annum Achievable

# Centro's Retail Property Focus and Business Model Adds Value

Centro™

- **Retail Property Specialisation** – Retail property ownership remains the heart of Centro with 72% of net income from retail property ownership
- **Co-investment & Alignment of Interests** – Centro's objective of between 25% and 50% interest in managed funds ensures alignment of interests with co-investors
- **DPS Growth from Centro "Cemented Co-Investment" Business Model** – Continuing property income growth and services business growth from cemented FUM should deliver sustained 7% per annum DPS growth for Centro

# Contact Details

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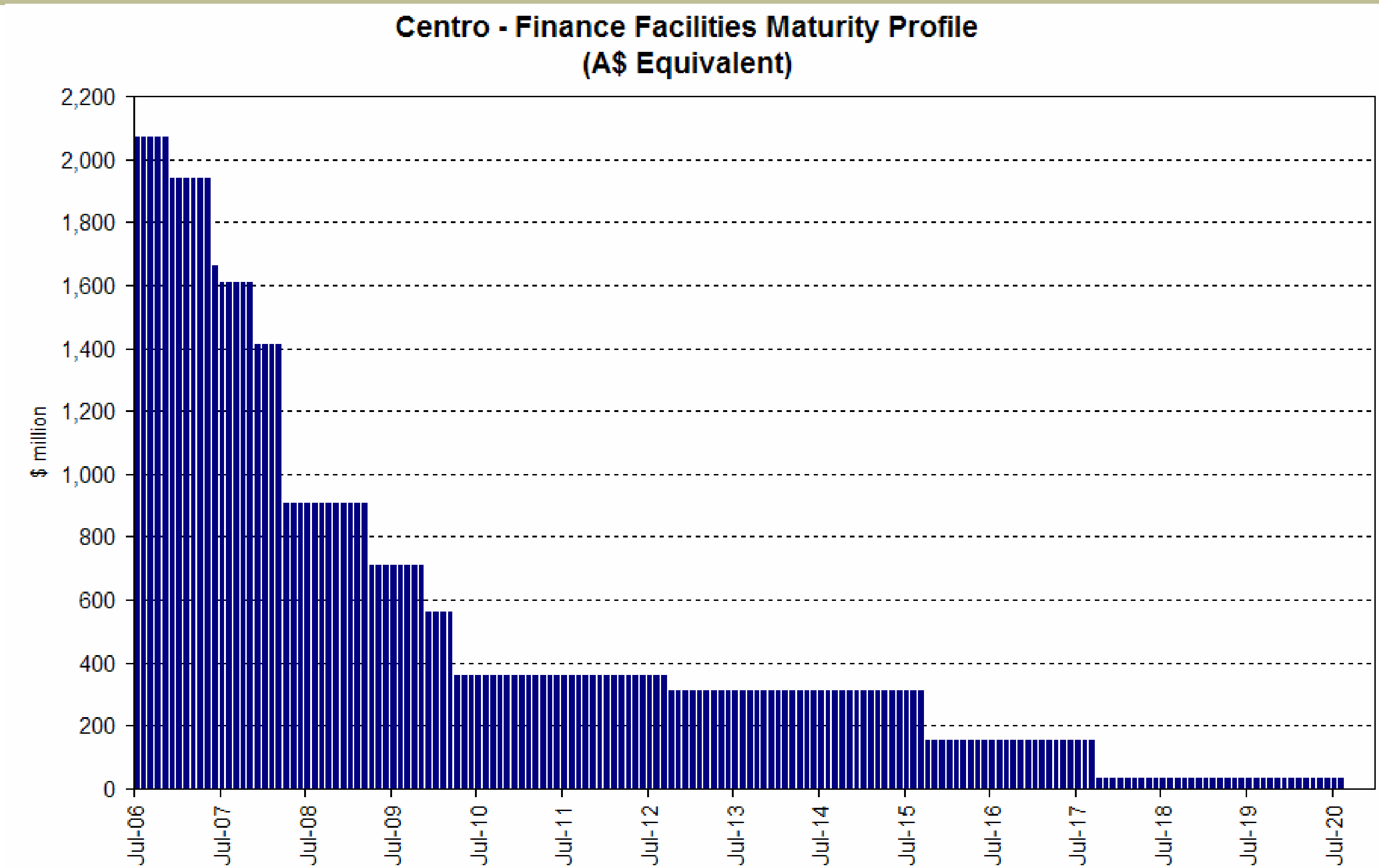
# Appendices

- Centro Financial Risk Management

# Centro Total Debt Maturity Profile

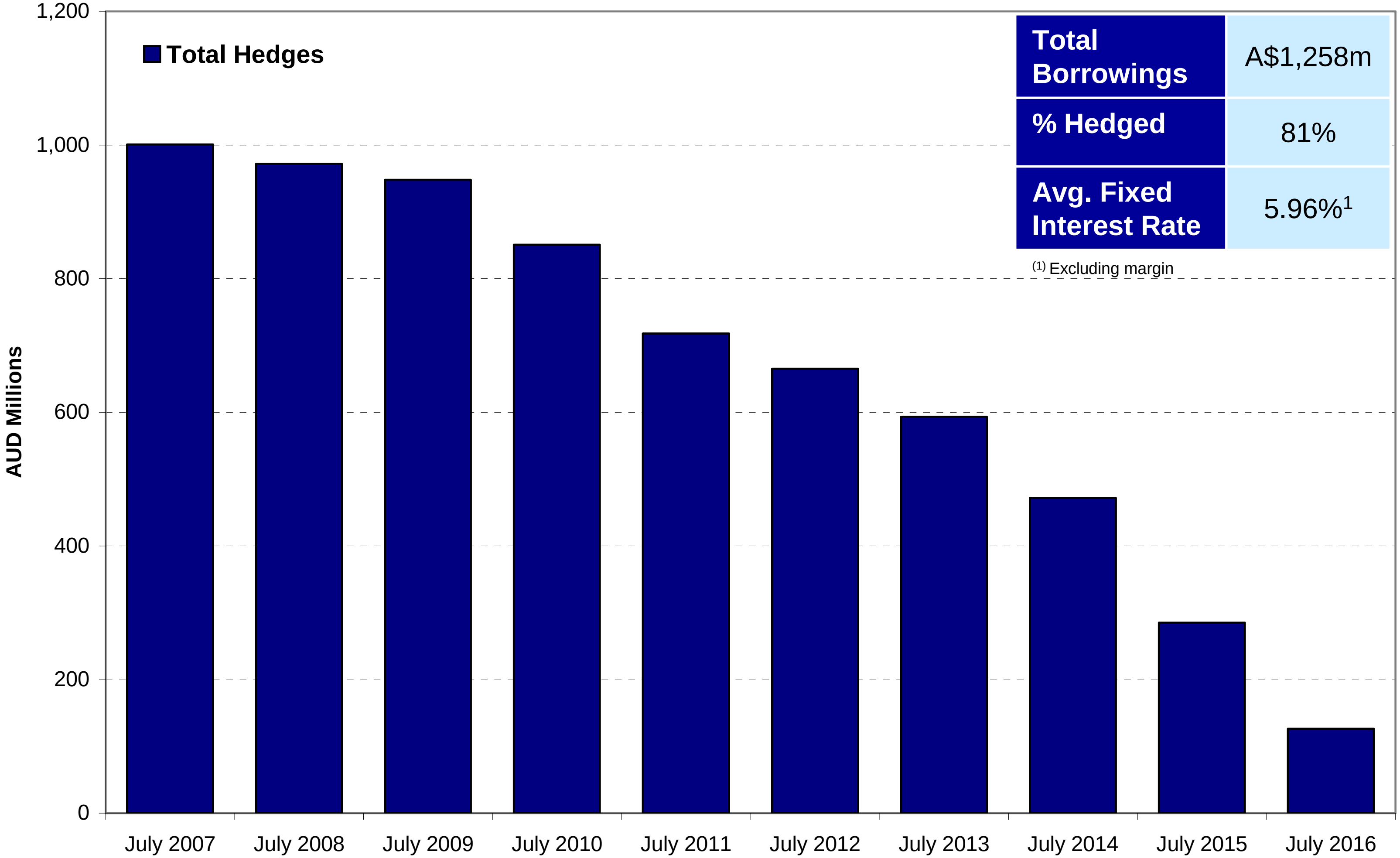
Centro




- Long term, staggered maturity profile minimises short term volatility and averages pricing
- Average debt maturity 4.2 years vs policy of 3.0 years

# Interest Rate Maturity Profiles

Centro

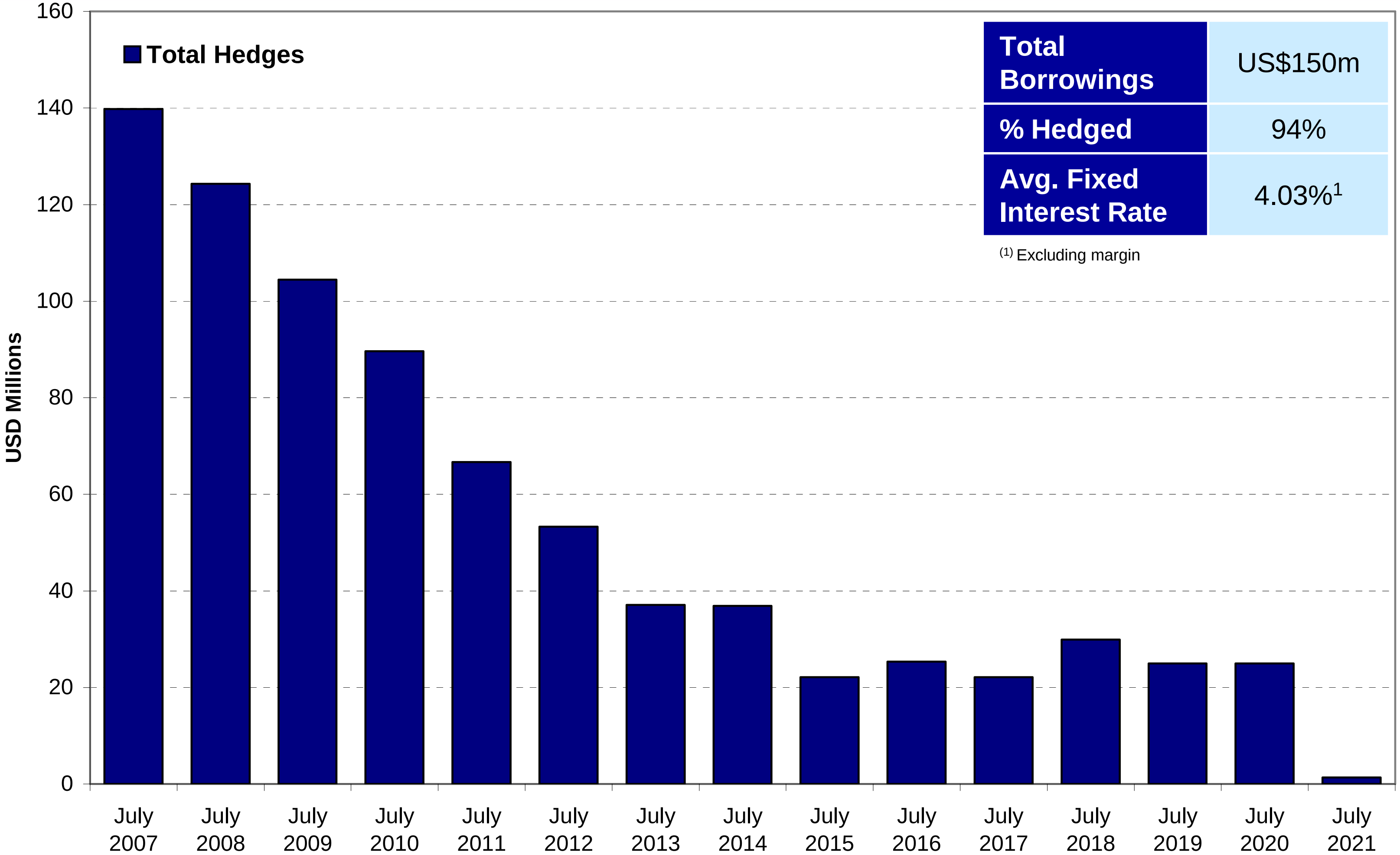



| | |
|---|---|
| **Total Borrowings** | A$1,258m |
| **% Hedged** | 81% |
| **Avg. Fixed Interest Rate** | 5.96%[1] |

[(1)] Excluding margin

- Average maturity 6.4 years vs policy of 4.0 years

# Interest Rate Maturity Profiles




| | |
|---|---|
| **Total Borrowings** | US$150m |
| **% Hedged** | 94% |
| **Avg. Fixed Interest Rate** | 4.03%[1] |

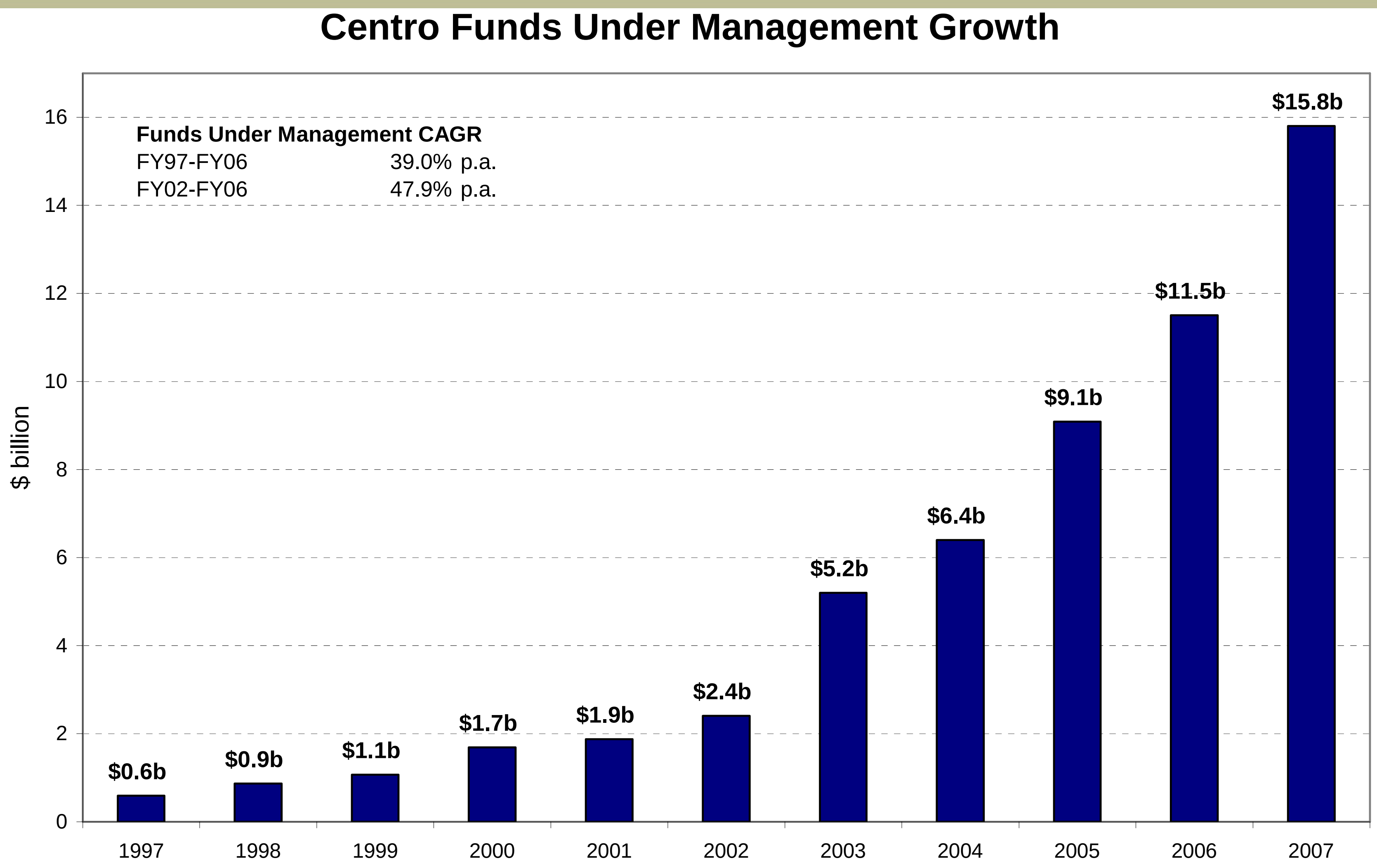
[1] Excluding margin

- Average maturity 5.7 years vs policy of 4.0 years

# Appendices

- Centro Owned and Managed Property Portfolios

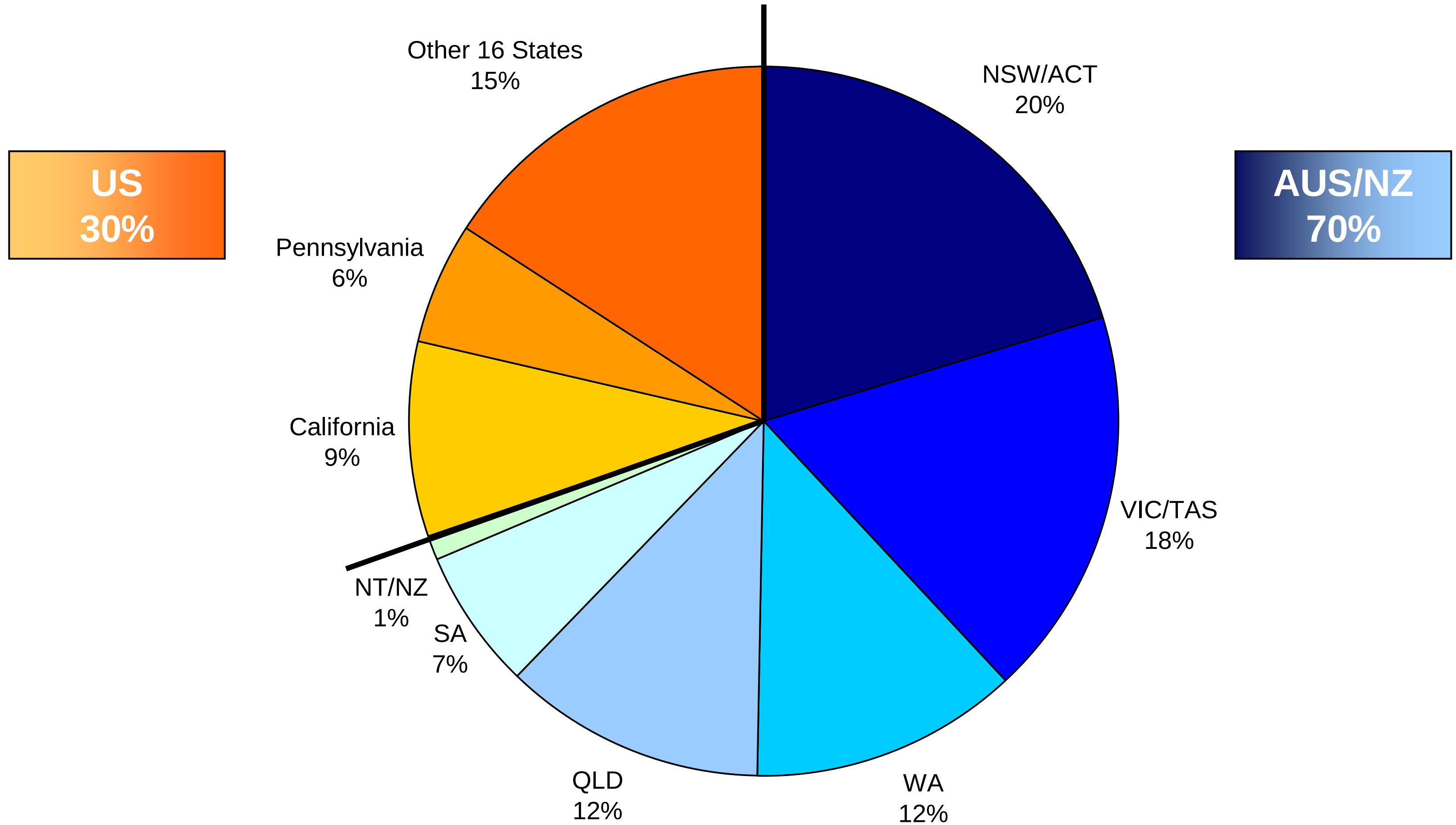
# Centro FUM Growth



# Significant Acquisitions Drive Portfolio Growth

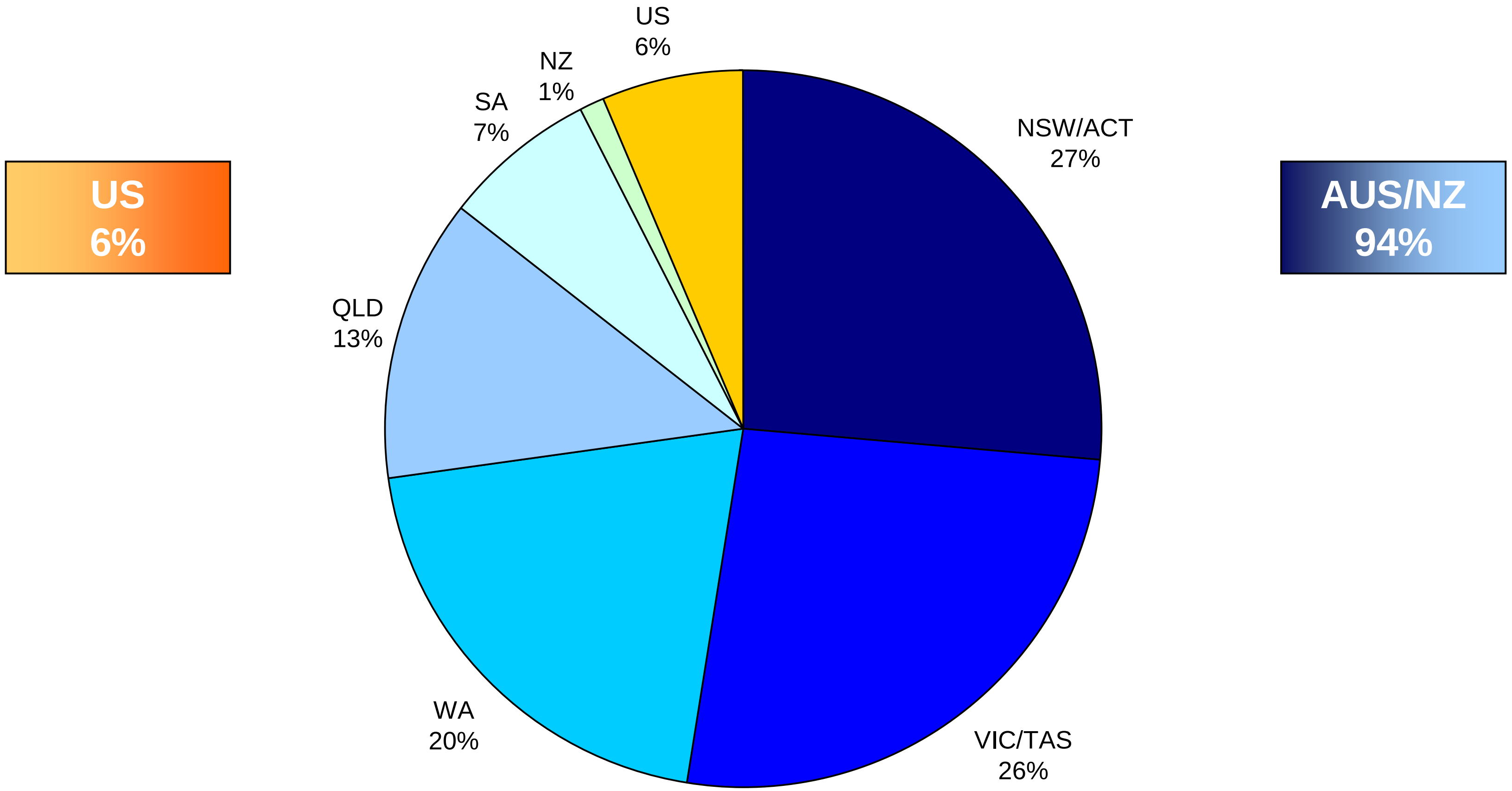
- **US$3.2bn Heritage REIT Acquisition –** Recently announced agreement to acquire Heritage provides assets for new unlisted funds and growth for existing managed funds
- **US$524m Malls Acquisition –** Seven quality properties included in A$1bn Centro MCS 38 syndicate
- **A$567m Domestic FUM Acquired –** Successfully acquired quality domestic assets despite highly securitised property market

# Diversified Centro $11.5b Funds Under Management




- Top seven Australian regional centres comprises 23% of portfolio
- US portfolio diversified across 18 states

# High Quality
# Centro Owned Portfolio




- Direct exposure to high quality Australian assets
- Top seven diverse regional centres comprise 40% of portfolio
- US assets held largely for disposition

# Centro's Equity Investments

| Centro Equity Ownership | 30 June 2006 | | | Post Heritage Settlement and Sell Down | | |
|---|---|---|---|---|---|---|
| | Economic Interest | $ Billion | Proportion | Economic Interest | $ Billion | Proportion |
| Direct Property Ownership | 100% | 3.3 | 75.2% | 100% | 1.6 | 35.5% |
| Direct Property Fund | 39% | 0.3 | 6.8% | 50% | 0.9 | 19.9% |
| Direct Property Fund International | 48% | 0.2 | 5.0% | 45% | 0.5 | 11.1% |
| Centro Retail Trust | 46% | 0.5 | 10.9% | 46% | 0.5 | 11.1% |
| Centro MCS Syndicates | 30% | 0.1 (1) | 2.8% | 25% | 0.2 (2) | 4.7% |
| Australian Wholesale Fund | N/A | N/A | | 45% | 0.6 | 13.3% |
| International Wholesale Fund | N/A | N/A | | 50% | 0.2 | 4.4% |
| **Total** | | **4.4** | | | **4.5** | |

(1) Centro MCS 38 to be launched early FY07

(2) Future Centro MCS Syndicates from core Heritage portfolio

- **Diversified Equity Investments –** Centro's co-investment business model cements assets and spreads equity across direct property and investments in managed funds
- **Capital for Further Funds Growth –** Economic interests in managed funds can be sold down to free equity capital for further acquisitions