



ASX and PRESS RELEASE

20 December 2004

Centro Agrees to Buy US\$1.2bn US REIT

Centro Properties Group (“Centro”) today announced that it has entered into a definitive agreement to acquire Kramont Realty Trust (“Kramont”), a US listed real estate investment trust for cash consideration of US\$610 million. Kramont is an established retail property organisation that specialises in the ownership and management of 93 neighbourhood and community shopping centres with a value of US\$1.24 billion across 16 east coast states of the US. Centro is undertaking this opportunity in conjunction with its joint venture partner in the US, Watt Commercial Properties (“Watt”).

Mr Brian Healey, Chairman of Centro said, “The Kramont investment is particularly significant as it provides the Centro Watt joint venture with a comprehensive retail property management platform on the US east coast which complements its solid west coast management team. The opportunity to acquire a large US listed retail property focused REIT demonstrates the ability of the Centro Watt team to identify and provide Centro with access to retail property assets strengthening Centro’s North American management capability.”

“In addition to its quality retail property portfolio, Kramont delivers an experienced management team who share similar goals to Centro in the focus they show in maximising shareholder value through the active investment and management of shopping centres and provides Centro with a unique growth opportunity,” Mr Healey added.

Based in Philadelphia, Pennsylvania, Kramont is a fully integrated real estate investment trust specialising in neighbourhood and community shopping centre acquisitions, leasing, development and management. The company owns, operates, manages and has under development 93 properties encompassing 12.6 million square feet (1.2 million square metres) of leasable space focused in the north eastern US states of Pennsylvania, New Jersey, New York, and Connecticut, of which 80% are grocery, drug store, or discount retail anchored.

Kramont common shareholders will receive US\$23.50 per share in cash and the declared December 2004 quarterly dividend of US\$0.325 to be paid in January 2005. The acquisition price represents a premium of approximately 17.0% over Kramont’s closing common share price of US\$20.08 on Friday, 17 December 2004, and a premium of 17.1% over Kramont’s trailing one-month volume-weighted average share price of US\$20.07.

Mr Andrew Scott, Chief Executive Officer of Centro said, “Consistent with our strategy, Centro’s initial on-balance sheet international exposure following the acquisition of Kramont will rise from 8.6% to 19.6%. This exposure will subsequently be reduced following the sell down of Centro’s investment in the Kramont portfolio through its unlisted funds management platform with proposed future wholesale and retail unlisted funds utilising Centro’s proven and established distribution channels.”

Mr Scott added, "Centro has been one of the highest performing Australian listed property groups over the past decade delivering a compound annual return of 18.1% to its investors. We are pleased that this opportunity should provide value adding growth that enhances distributions for Centro investors. The acquisition will initially be debt funded and is expected to be DPS accretive with an increase in distributions to security holders of 1.1 cents per CNP security in the next full year (FY 2006). Gearing will increase from the current 22.3% to 31.9%, which is at the lower end of the target 30-40% range and will decrease through the sell down into new syndicates and wholesale funds."

The Kramont management team has an average of over 20 years of real estate experience and the Centro Watt joint venture will inherit a strong staff base with 12 senior officers and an additional 135 employees. The team will complement and bolster the existing Centro Watt management team, providing a full range of property and corporate services, including leasing, development, asset management, property management, marketing, legal, financing and accounting.

Mr Scott said, "Having analysed the properties, visited most of them and met key staff, we expect that Centro Watt will benefit from the combined skills and expertise of the Kramont team. We see the teams as a good cultural "fit", and this is of great importance to Centro in identifying opportunities which can be successfully integrated into the US business platform. We are very pleased that the Kramont team will be joining the Centro Watt team."

The Centro Watt team has conducted due diligence on Kramont and its properties and has confirmed the quality of the portfolio and the proactive management of the assets. The portfolio represents 12.6 million square feet (1.2 million square metres) of retail floor space and (excluding four properties currently in redevelopment) is 91% occupied by over 1,500 retailers. Major tenants include Wal-Mart, Ahold, TJX Companies and Kmart. The proposed acquisition represents a weighted average portfolio capitalisation rate of 7.3%.

The transaction was unanimously approved by Kramont's Board of Trustees on 18 December 2004. Completion of the transaction, which is expected to occur in the first quarter of 2005, is subject to approval by Kramont shareholders and the satisfaction of customary closing conditions.

Key financial impacts:

- Significant A\$1.6 billion or 23% growth in cemented FUM (Centro will retain a strategic stake in the long term);
- 3% or 1.1 cent earnings/distribution increase for CNP investors from FY06;
- Centro's gearing will increase from 22.3% to 31.9% (or 41.4% if Kramont was fully consolidated) prior to the planned sell down to unlisted funds;
- No material NTA impact is expected (depending largely on appraisals/valuations over the next six months); and
- Financial exposure to interest rates will be prudently hedged with an average duration of four years. Foreign exchange exposure will be dealt with by a full capital hedge as arranged for Centro's previous US investments.

For further information, please contact Mr Andrew Scott, Chief Executive Officer on 0419 548 068 or (03) 8847 0033.