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Centro Properties Group First Half 2011 Results

Centro Properties Group (Centro) today announced a net profit attributable to ordinary securityholders of $553.4 million for the half year ended 31 December 2010. Underlying profit for the half year was $48.2 million compared to $82.7 million for the previous corresponding period.

Income Statement Extract for Half Year ($millions) (based on ownership share)	**31 Dec. 2010**	**31 Dec. 2009**
Underlying Profit Attributable to Ordinary Security holders	**48.2**	**82.7**
Asset Revaluations	150.4	(361.4)
Foreign Exchange	273.1	179.8
Mark-to-market movements on derivatives	120.3	52.9
Restructure Costs and Other Adjustments	(38.6)	(17.2)
Net Profit Attributable to Ordinary Securityholders	**553.4**	**(63.2)**

Although Centro has returned to profitability for the half-year, this net profit is largely the result of gains from the appreciation in the value of the Australian dollar and some moderate property valuation improvements. Underlying profit, which is the more relevant measure for the operating performance of the business, fell by 42% compared to the prior corresponding period.

At 31 December 2010, net equity attributable to members of Centro is negative $1.6 billion and NTA per ordinary security is negative $2.43. In view of its negative equity position, Centro does not underestimate the challenge of delivering value to securityholders through a restructure process.

Business Update

Centro Chief Executive Officer Robert Tsenin said, "Although we have enviable retail assets in Australia and the US that have performed remarkably well through the global financial crisis, Centro also faces its headstock debt maturity of $3.1 billion in December of this year and therefore must effect a restructure prior to that maturity."

"The Stabilisation Agreement of January 2009 crucially afforded us time to address the structural challenges facing the company, even though it did not resolve these challenges. Recent improvements in property and financial markets have improved the prospects for the essential restructure of Centro. As always, as we review the options, our goal and intent remains maximising value for all Centro stakeholders."

"Across the entire Centro Group, including Centro and all of its funds under management, there is $16.5 billion of investment property and $16.0 billion of debt at 31 December 2010. This clearly unsustainable capital structure, combined with our exposure to volatile foreign exchange and variable interest rates, presents us with significant financial and operational challenges.

"Centro has approached the restructuring challenge from two broad directions – either divesting the assets of Centro, or recapitalising the group. There are variants in between," said Mr Tsenin.

As announced in November 2010, Centro commenced a formal, competitive process to evaluate expressions of interests for both its US and Australian assets. That process remains ongoing. Concurrent with this process, Centro and its advisers continue to work through other restructuring and recapitalisation opportunities. These may be combined in part with the competitive process.

"We enjoy the continued support and open and constructive dialogue with our lender group in respect of all possible outcomes. It is important to reiterate that no decisions have been made at this stage and a successful outcome cannot be guaranteed," said Mr Tsenin.

Key Financial Information

Centro's underlying profit for the half year was $48.2 million, in line with guidance provided to the market in December 2010. The 42 per cent decrease from the prior corresponding period is predominantly due to unfavourable movements in interest rates and foreign exchange rates, as they affect income received on US investments.

As at 31 December 2010, Centro's headstock cash balance was $50.2 million, a decrease of $8 million since 30 June 2010, but after the repayment of $13 million of debt.

Managed Property Portfolio Information

Property Portfolio	**31 Dec. 2010**	**31 Dec. 2009**
Australasia		
Number of Properties	108	118
Comparable Stabilised NOI Growth (6 months)	4.2%	1.9%
Total Occupancy	99.5%	99.2%
Retail Sales Growth (MAT)	3.7%	4.1%
United States		
Number of Properties	588	600
Comparable Stabilised NOI Growth (6 months)	-1.1%	-5.2%
Total Occupancy	87.7%	88.1%

Centro's Australasian portfolio has performed well in the first half of FY11 delivering NOI growth of 4.2 per cent and an increase in occupancy levels increased to 99.5 per cent from 99.2 per cent in December 2009.

Centro General Manager of Property Operations for Australia Mark Wilson said, "The very pleasing NOI result has been achieved in an environment where consumers continue to show spending caution. Retail sales growth has declined but remains positive at 3.7 per cent. Maintaining full occupancy has been vital to ensuring strong operating performance of our centres."

Centro's US portfolio at 31 December 2010 was 87.7 per cent leased, compared with 87.9 per cent for June 2010. The same property NOI growth, including developments, decreased less than 1 per cent which was the narrowest decline since June 2008.

Centro US CEO Michael Carroll said, "First half results in the US continue to demonstrate gradual improvements in portfolio fundamentals and are tracking in-line with the guidance provided in August. While we are seeing growing consumer confidence and an improving sales environment, the unemployment rate remains high and tight credit markets persist. As such, and as expected, property level performance in the first half of the year was tempered. We anticipate this trend to persist through the remainder of FY2011."

Property Valuations

Between June 2010 and December 2010 property values in the US had an uplift of 2.6 per cent while Australian property values have also shown moderate signs of uplift with an increase of 1.0 per cent over the same period.

"The Australian and US valuation uplifts for the half-year ended 31 December 2010 compare favourably with -0.1 per cent and -0.7 per cent for the half-year ended 30 June 2010, and result from improved NOI projections in Australia and an overall improved outlook on the retail property environment in the US," Mr Tsenin said.

Important Notes & Supplemental Information

Centro's results and the corresponding financial statements have been prepared on a fully consolidated basis and therefore incorporate the results announced yesterday by Centro Retail Trust (CER).

For complete details, including important footnotes, please refer to the interim results presentation, Appendix 4D and supplemental information for Centro's Australasian and US managed property portfolios.

About Centro Properties Group (ASX: CNP)

Centro Properties Group specialises in the ownership, management and development of shopping centres. Centro is Australia's largest manager of retail property investment syndicates and is a manager of direct property funds and wholesale funds which invest in Centro's quality retail properties in Australasia and the United States. For more information, please visit centro.com.au.

For Further Information

Media:
Miche Paterson
Kreab Gavin Anderson
+61 3 9659 3000

Investors:
Centro Investor Services
In Australia: 1800 802 400
International: +61 3 8847 1802
investor@centro.com.au

Analysts:
Adam Soffer
Centro Fund Manager
+61 3 8847 0932
adam.soffer@centro.com.au