

15 January 2008

Companies Announcement Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sir

Centro Properties Group ("Centro") provides the following update to the market on a range of issues relating to its debt refinancing and Strategic Review.

Arrangements with Financiers

Centro received advice on 11 January 2008 from its US Private Placement Noteholders who are collectively owed US\$450 million, which suggested that one or more events of default under the relevant Note Purchase Agreements may have arisen under some or all of the Notes. Centro has not conceded that there are any such defaults. However, Centro has entered into an agreement with these Noteholders through to 15 February 2008 (or such later date as may be agreed) for the Noteholders not to act on these events, consistent with its arrangements with the lenders who are parties to the extension agreements of 16/17 December 2007. Both the Australian and US lenders have concurred with these arrangements.

Centro is in regular dialogue with the lenders who are parties to the Australian Extension Deed dated 17 December 2007, and this is expected to continue. Centro is pleased to advise that the lenders are currently considering extending the arrangements under the Extension Deed beyond 15 February 2008. The US lenders are also considering an extension of their current maturities beyond 15 February 2008.

Foreign Exchange Hedging

As previously advised in relation to interest rate hedging, Centro has traditionally maintained a high level of foreign exchange ("FX") hedging on its net foreign currency exposures to protect its stakeholders from earnings and cash flow volatility resulting from fluctuations in FX rates. Due to recent announcements, Centro has been unable to extend maturing FX hedges with its relationship banks. Consequently, Centro's exposure to FX rate movements has increased and could translate into volatility in earnings if the Australian Dollar appreciates or depreciates significantly from current levels.

Centro's net foreign currency equity exposure to A\$/US\$ rate movements is currently US\$4,473 million of which 80.7% is hedged, from 99.2% previously. The current level of hedges is below internal policy requirements.

Centro's ongoing hedging levels are being considered as part of the Strategic Review. The change in FX hedging position does not require action under the arrangements with Centro's financiers. Centro has advised its relationship banks of the issues involved and will be seeking to develop a solution with them.

The FX hedging positions of Centro's managed funds, including Centro Retail Trust, are not affected.

Current and Non Current Debt

Centro Properties Group's audited financial statements (released on 18 September 2007) reflected A\$1,097 million in current interest bearing liabilities and A\$2,507 million in non-current interest bearing liabilities.

Centro has initiated a review of its classification of current versus non current liabilities in its audited 30 June 2007 accounts, as it now considers there is a prospect that the proportion of current liabilities may have been higher than that reported. The total amount of reported debt of \$3,604 million is unaffected.

Centro's debt maturity profile as at December 2007 is as stated in a schedule to its announcement on 17 December 2007. This schedule, which included Centro's debt and relevant debt included in its US joint venture, maturing in the 12 months from December 2007, remains unchanged.

Strategic Review Update

Centro's adviser, Lazard Carnegie Wylie, has reported extensive interest from high quality and credible potential investors (both Australian and international) for a range of the various options being considered by the Board as part of the Strategic Review. It is expected that a number of these parties will commence due diligence with access to the company's data room shortly.

The potential sale of the Group's interests in the Centro Australia Wholesale Fund ("CAWF") has also attracted strong interest from both domestic and international investors. A detailed Information Memorandum regarding CAWF is being sent to interested parties.

Significant interest has also been received for the Centro America Fund and, therefore, a similar process is being initiated.

Yours faithfully



Elizabeth Hourigan
Company Secretary