



ASX Announcement

22 November 2010

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Dear Sir/Madam

APN European Retail Property Group (AEZ) Market update

APN Funds Management Limited (**APN**) in its capacity as Responsible Entity of the APN European Retail Property Group (**AEZ**), provides the following update.

Short Term Debt Extension and Proposed Debt Restructure and Asset Sale Program

AEZ's working capital facility provided by Royal Bank of Scotland plc (**RBS**) was due to expire on 19 November 2010. RBS has, subject to certain conditions, agreed with APN to an extension of this facility until 17 December 2010 (**Short Term Extension**).

During the term of the Short Term Extension, APN proposes to work with RBS to agree an AEZ debt restructure and asset sale program including a possible further extension of this facility of up to three years. APN believes that an orderly asset sale program is likely to provide the best outcome for investors.

It is anticipated that any asset sale program would include a business plan for the sale of the AEZ property portfolio over a period of up to three years, changes to the terms of AEZ's debt facilities with RBS and a plan to repay AEZ's debt.

APN, as Responsible Entity of AEZ, has agreed to various undertakings set out in the extension agreement, including:

- providing additional security to, and agreeing additional covenants with RBS; and
- to use reasonable endeavours to agree an asset sale program with RBS.

Any debt restructure or further extension of the working capital facility remains subject to various conditions and negotiations, due diligence, contract and approval by RBS and APN.

Any asset sale program will be developed and executed by APN as Responsible Entity of AEZ. It is anticipated that all properties within the AEZ portfolio will form part of any asset sale program. It is important to note that APN will continue to retain ultimate decision making responsibility in relation to any asset sale transaction, the terms of such a transaction and determining whether the transaction is in the best interests of AEZ securityholders. APN will only enter into a transaction if it forms the view that the transaction is in AEZ securityholders' best interests.

The ultimate return to securityholders will depend upon various factors, in particular whether a debt restructure and asset sale program can be agreed with RBS, the performance of European markets and whether any asset sale program can be successfully executed. At this time it is not possible to determine the net proceeds that may be available to securityholders after assets are sold and the AEZ Group's liabilities and other expenses (including costs of the debt restructure and sale process) are settled. Accordingly, the final amount available to be returned to securityholders may differ materially from the Group's most recently published Net Tangible Asset backing per security of \$0.16.

AEZ retains the support of RBS, its principal lender, however RBS continues to reserve its rights under the working capital facility and has not committed to any extension beyond the Short Term Extension.

A further announcement will be made in due course regarding the proposed debt restructure and asset sale program.

Background

The majority of Group's debt facilities remain in breach of covenants, with the Group's original covenant breaches arising at 31 December 2008 as a result of falling property values.

APN has run a rigorous process to examine all possible options to address the Group's capital structure and leverage levels. Ultimately, none of the options generated an acceptable outcome and as a result APN believes the proposed debt restructure and asset sale program is the course of action which is likely to deliver the best outcome for investors.

For further details, please contact APN Investor Services on 03 8656 1000 or 1800 966 456.

Yours sincerely

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John Freemantle
Company Secretary

About the APN European Retail Property Group

APN European Retail Property Group (the Group) is a listed property trust (ASX code: AEZ) which operates under a stapled security structure. The Group is invested in a diversified portfolio of 34 retail properties located in six countries across Europe. The Group is managed by APN Funds Management Limited.