

APN | Property Group

Full year results - 30 June 2010

David Blight | Group Managing Director

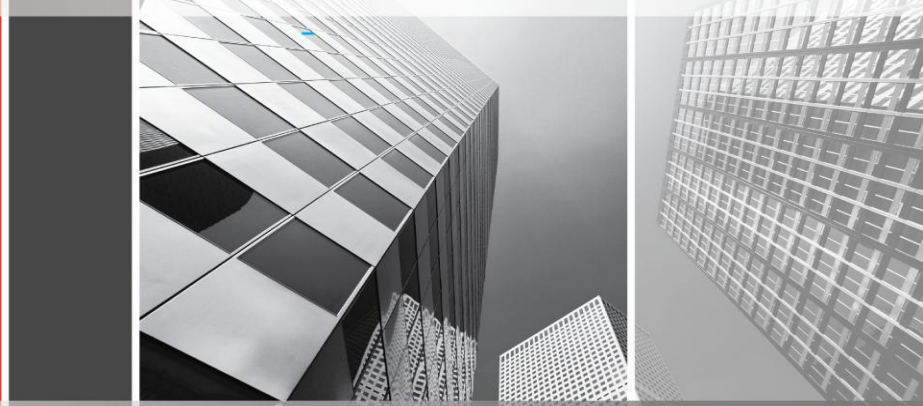
John Freemantle | Chief Financial Officer

31 August 2010

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APN Property Group full year results



Results headlines

- Underlying profit after tax (from operations) \$2.0m
- Fair value and impairment adjustments after tax (\$7.2m)
- Statutory loss after tax (\$5.2m)
- Net assets \$34.0m, including \$8.6m* cash at bank – no debt
- Interim dividend 1.25 cents per share paid in April 2010. No final dividend.
- FuM: \$2.5b – stabilising
- AEZ resolution remains the key priority for the Group
- Secured long term strategic partnership with ARA Asset Management Limited (ARA) in July 2010:
 - Placement to ARA Asset Management Limited raised an additional \$4.6 million cash
 - Acquired ARA Strategic Capital I Pte Ltd, manager of ARA Asian Asset Income Fund
 - Seed capital available for future fund management activities subject to investment criteria
- Actively pursuing new opportunities

* Cash at bank \$13.2m following issue of new shares to ARA in July 2010

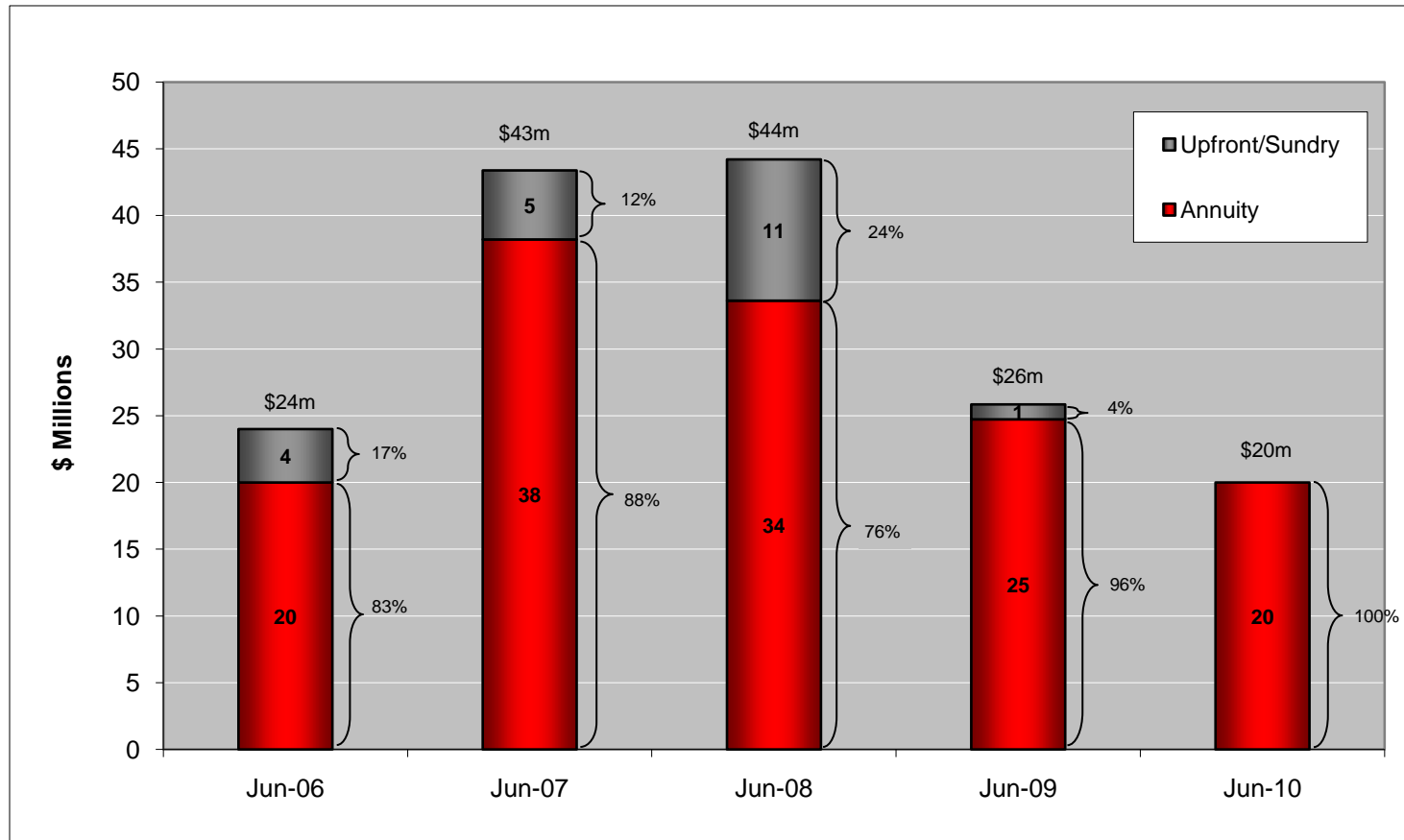
Key financial results – Full year to 30 June 2010

\$'000	1 st half Dec 09	2 nd half Jun 10	Full year Jun 10	Full year Jun 09
Revenue	10,066	9,921	19,987	26,179
Underlying profit after tax (from operations)	1,288	722	2,010	5,506
Add impairment and fair value adjustments (net of tax)				
- impairment of intangibles	-	(4,774)	(4,774)	(17,855)
- impairment of receivables	-	(2,127)	(2,127)	(4,578)
- revaluation gains/(loss)of investments	517	(850)	(333)	(5,110)
Net profit after tax (NPAT)	1,805	(7,029)	(5,224)	(22,037)
Basic earnings per share (EPS) cents	1.27	(6.04)	(4.77)	(18.68)

Detailed Profit and Loss Statement

\$'000	1 st half Dec 09	2 nd half Jun 10	Full year Jun 10	Full year Jun 09
Management fees	8,280	8,315	16,595	19,387
Transaction fees	-	-	-	1,051
Project management fees	655	424	1,079	3,093
Registry & accounting fees	1,091	1,135	2,226	2,274
Investment income	37	46	83	105
Sundry income	3	1	4	269
Total Revenue	10,066	9,921	19,987	26,179
Direct costs	(977)	(936)	(1,913)	(2,196)
Administrative expenses	(7,683)	(8,336)	(16,019)	(16,640)
FX gains – realised/unrealised	349	(238)	111	1,069
EBITDA	1,755	411	2,166	8,412
Finance income (net)	376	847	1,223	715
Depreciation and amortisation	(163)	(157)	(320)	(501)
Income tax expense	(680)	(379)	(1,059)	(3,120)
Underlying profit after tax (from operations)	1,288	722	2,010	5,506

Revenue analysis – Full Year Results FY10



100% of FY10 revenue is annuity style

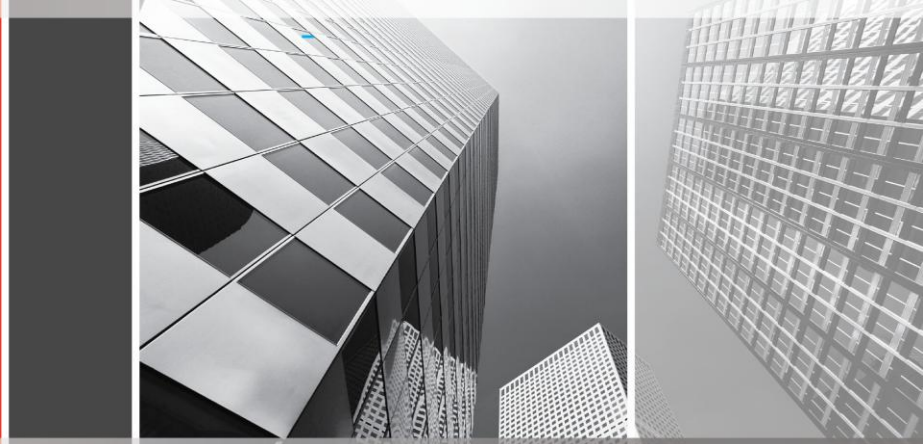
Balance sheet review

- Balance sheet is strong with \$8.6m cash and no debt
- Post year end capital raising of \$4.6m and strategic partnership with ARA – significantly enhances opportunities to develop new and existing funds

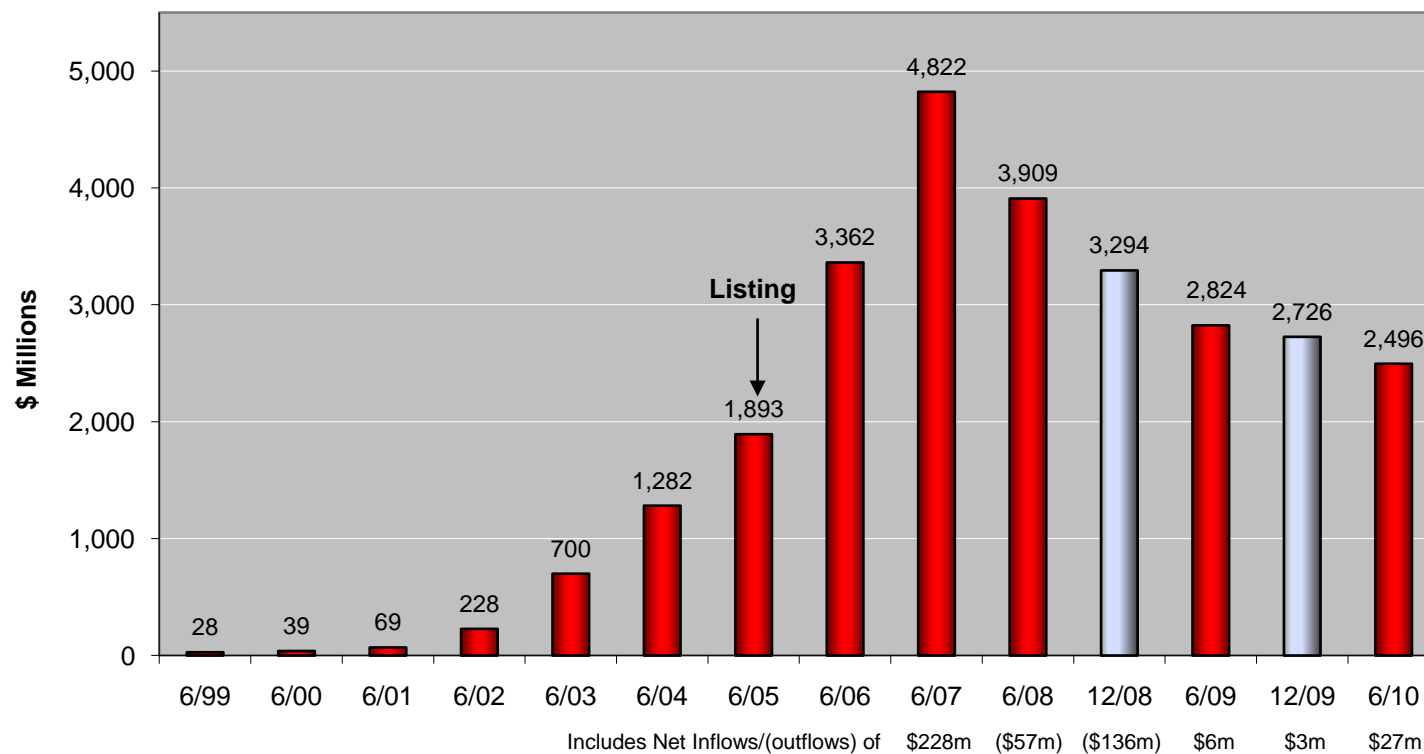
Balance Sheet	Jun 10	Jun 09
Tangible Assets	32.6m	36.2m
Intangible Assets	7.2m	13.2m
Total Assets	39.8m	49.4m
Liabilities ¹	5.8m	8.1m
Tangible Net Assets	26.8m	28.1m
Total Net Assets	34.0m	41.3m

¹ Trade and other payables, tax liability payable and provisions

FuM analysis and fund performance

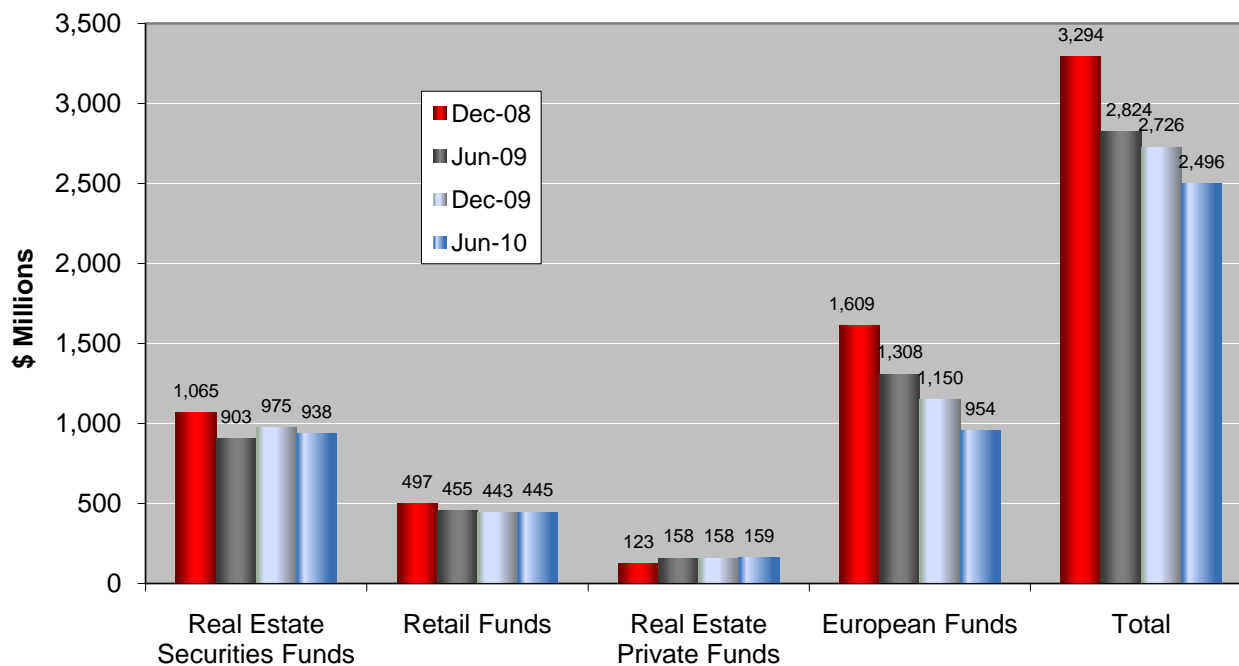


Growth in Funds under Management (FuM)

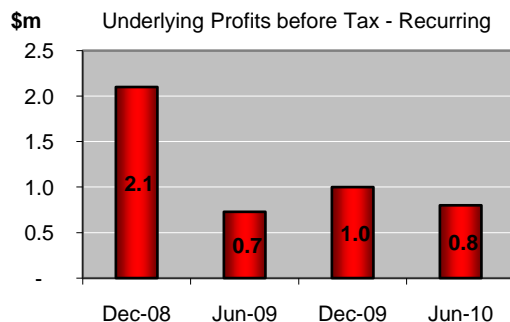
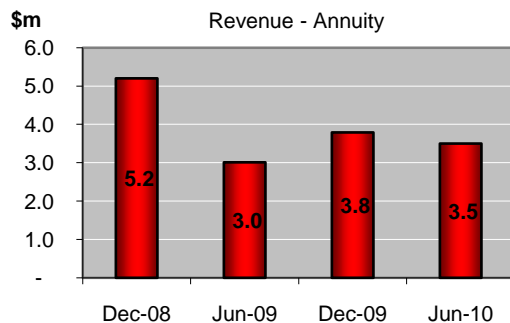
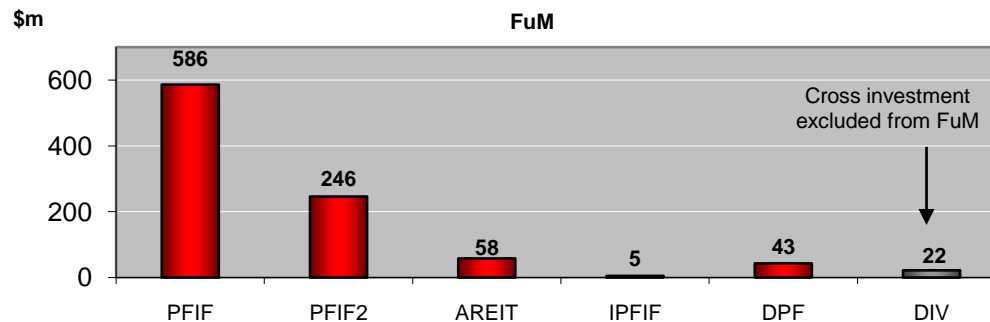
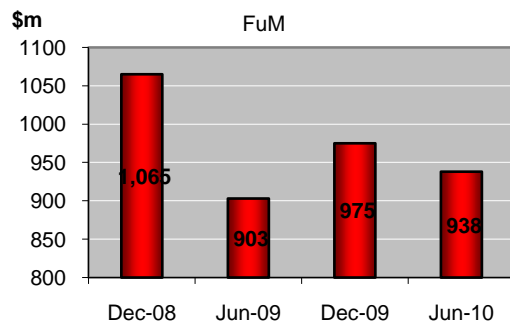


FuM breakdown by product type

- Net FuM reduced by \$328m for 12 months to June 2010
- Movement reflects changes in REIT market and property valuations offset by new inflows in to the APN AREIT fund



Real estate securities funds



- Net increase in FuM of \$35m since June 2009
- APN AREIT Fund first full year of operations – net inflows ~\$1m per week
- APN PFIF and PFIF2 re-opened for applications
- APN PFIF, PFIF2, IPFIF, DPF and DIV remain closed for redemption requests due to liquidity constraints
- Liquidity solution for APN PFIF, PFIF2 being pursued with the Australian Stock Exchange and the Australian Securities and Investment Commission
- IPFIF terminated in January 2010 with ~80% of portfolio sold and returned to investors. Residual unlisted investments to be realised when possible to maximise returns to investors
- Moderate recovery in AREIT sector – outperformed S&P/ASX 200 by 7.3% in absolute terms for the financial year

Real estate securities funds performance to 30 June 2010

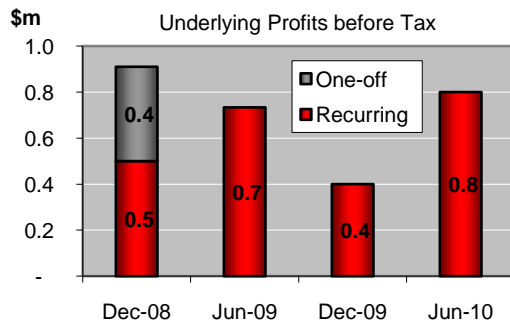
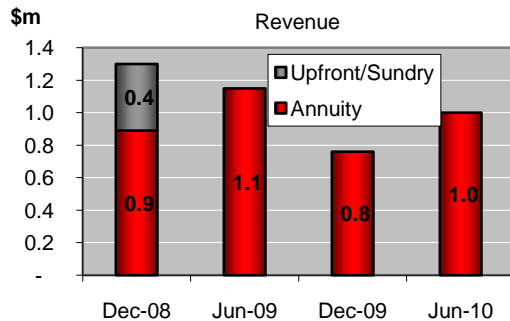
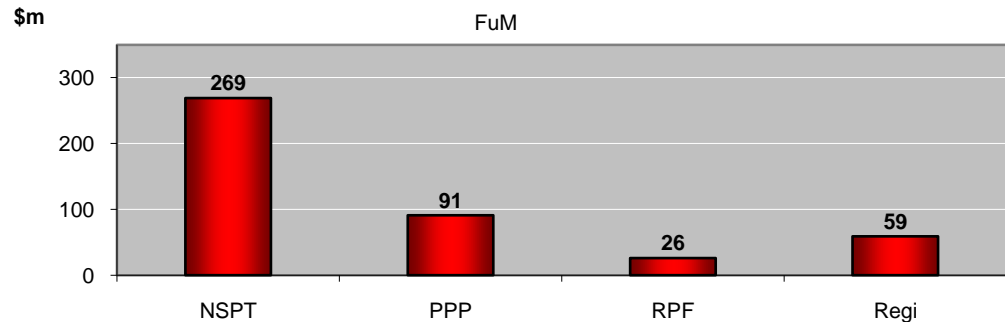
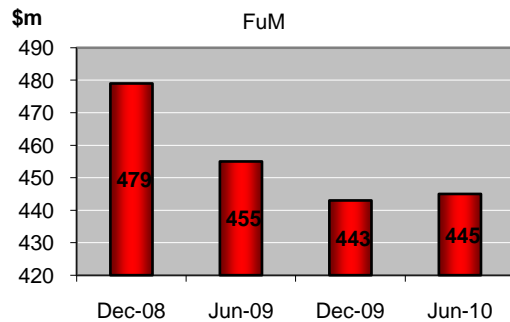
APN Fund	One year total return to 30 Jun 10 ¹	Index	Three year annualised total return to 30 Jun 10	Index	Annualised performance since inception to 30 Jun 10	Index
APN AREIT Fund (AREIT)	24.3%	20.4% ²	–	–	22.4%	9.0% ²
APN Property for Income Fund (PFIF)	10.4%	20.4% ²	(18.5%)	(23.8%) ²	6.8%	4.0% ²
APN Property for Income Fund No. 2 (PFIF No.2)	12.9%	20.4% ²	(25.0%)	(23.8%) ²	(9.0%)	(7.5%) ²
APN International Property for Income Fund (IPFIF)	21.8%	N/A ³	(20.8%)	N/A ³	(3.3%)	N/A ³
APN Direct Property Fund (DPF)	0.0%	–	(7.3%)	–	0.7%	–

1: Compound annualised return – Net of fees (applicable to retail investors)

2: S&P/ASX 200 Property Trust Accumulation Index

3: Fund is in the process of being wound up and as at 30 June 2010 its investment portfolio now comprises unlisted assets only

Retail funds



- **APN National Storage Property Trust (NSPT)**

- Debt re-financing with NAB and Gresham expected by September 2010
- In principle deed of co-operation secured with NSO (operator)
- Fund strategic review date extended to June 2012

- **APN Retirement Properties Fund (RPF)**

- Fund terminated. Option to purchase the properties for \$36m acquired by Lend Lease

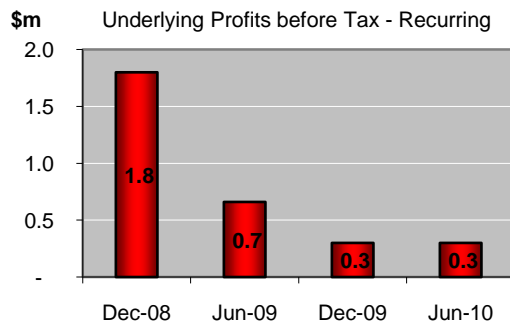
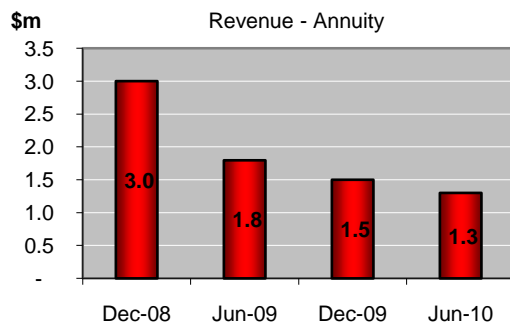
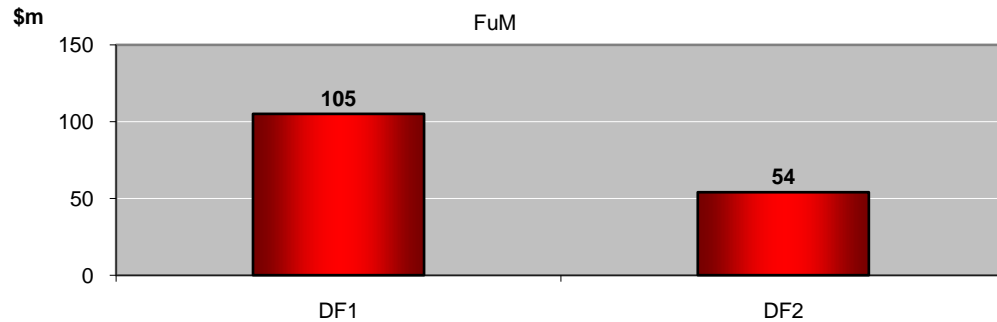
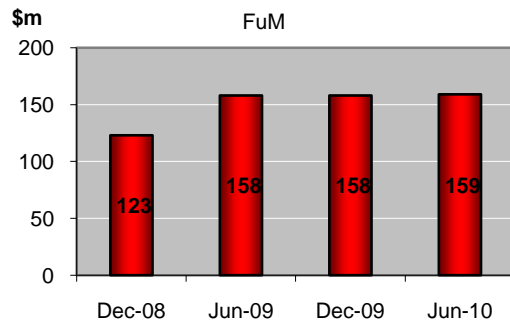
- **APN Property Plus Portfolio (PPP)**

- Long term leases to Woolworths and 7-Eleven

- **APN Regional Property Fund (Regi)**

- New 3 year loan facility secured
- Distributions reinstated

Real estate private funds



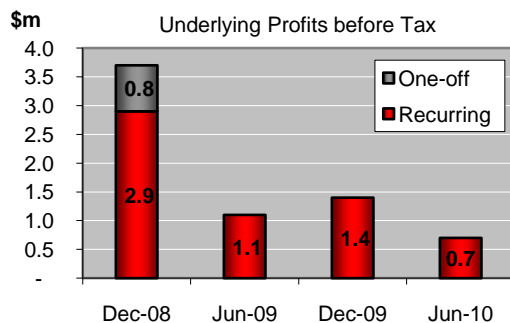
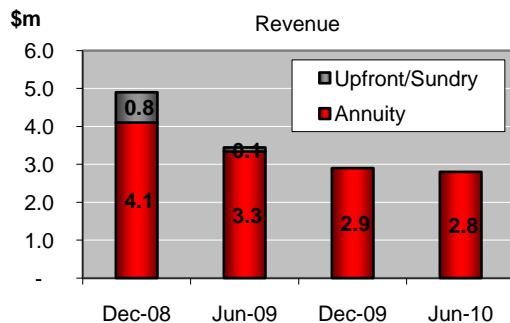
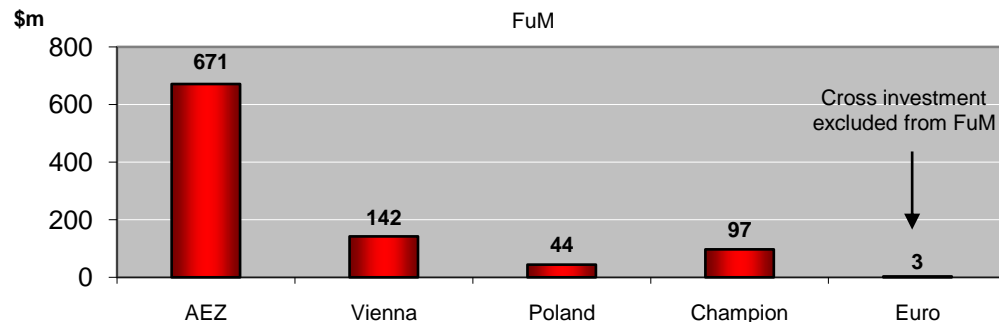
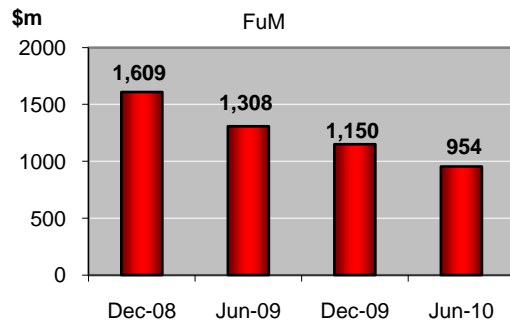
■ APN Development Fund No.1 (DF1)

- Fund extended by 2 years to April 2014 to enable completion of 567 Collins St and South Yarra development sites
- Major projects 567 Collins St and South Yarra require leasing pre-commitment and loan finance before commencement
- Graystone strategic review completed – transitioning to a diversified property company comprising core assets and development portfolio

■ APN Development Fund No.2 (DF2)

- Industry Village – Stage 1: 6 of 9 units sold. Stage 2 pre-sold and construction well underway. Seeking pre-commitments on further stages
- 150 Collins St – Strong leasing interest / joint venture established with Grocon
- \$51m unallocated equity available for new investment opportunities

European funds



■ APN Vienna Retail Fund (Vienna)

- Property value and income levels holding up well in a difficult market
- Indicative banking covenant breach
- Distributions remain suspended to strengthen balance sheet

■ APN Poland Retail Fund (Poland)

- Significant decline in income and property valuation
- Remains in breach of banking covenants, standstill agreement secured with senior lender to October 2010

- New anchor tenant (C&A) open and trading ahead of expectations
- Leasing interest improving

- Net Asset deficiency of \$20m, viability of the Fund at significant risk

APN Champion Retail Fund (Champion)

- Property value declined (Greek economy issues), but income levels up
- Distributions recommenced

APN European Retail Property Group (AEZ)

- Operating profit after tax of \$10.6m (1.95 cps)
- Statutory loss after tax of \$66.5m reflecting fair value write-downs of property
- Resolving financing issues is APD's key priority
- Market conditions remain very difficult
- Property valuations continue to decline, although some signs of stabilisation
- Banking issues unresolved – continued support from major lender, but significant uncertainty
- Asset sales, recapitalisation or refinancing transactions likely over coming 12 months
- AEZ results released to ASX on 26 August 2010

APN Property Group outlook



APN Property Group – summary

- Markets stabilising in Australia. Europe remains challenging
- FuM of \$2.5b at 30 June 2010
- AEZ resolution a continuing priority
- Strategic partnership secured with ARA in July 2010
- Sound balance sheet with cash reserves of \$8.6m (\$13.2m following issue of shares to strategic partner, ARA)
- Management platform intact and positioned for growth

Positioned for future opportunities

APN Property Group – the road ahead

- Stabilisation of existing products – AEZ, PFIF stable, NSPT, Poland
- Scale up selected unlisted funds where possible
- Increase retail market share
- Grow real estate private funds and real estate securities funds capabilities
- Continued, intense focus on *investment performance* and *service*
- Expand real estate securities capabilities in Asia and leverage the strategic partnership with ARA
- M&A opportunities

Contact details



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