



ASX Announcement

23 March 2010

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

APN Funds Management Limited
ABN 60 080 674 479 AFSL 237500

Level 30, 101 Collins Street
Melbourne, Victoria 3000 Australia

Correspondence to:
PO Box 18011 Melbourne
Collins Street East, Victoria 8003

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010

Investor Services 1800 996 456
Adviser Services 1300 027 636

W www.apngroup.com.au
E apnpg@apngroup.com.au

Dear Sir/Madam

APN European Retail Property Group (ASX Code: AEZ) Interim update

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

APN has completed its review of the regular covenant calculations for the Spanish senior debt facility with Royal Bank of Scotland plc (**RBS**). The following table sets out the latest calculation for the relevant interest cover ratio which has exceeded the covenant limit in the facility agreement.

Ratio	Actual	Minimum required limit
Interest Cover Ratio	1.78 times	1.80 times

The interest cover ratio as at 31 December 2009, reported in the half year financial results on 24 February 2010, was 1.84 times. The decline in this ratio is attributable to a further decline in underlying property rental income levels compared to prior year, in particular in relation to the Cuadernillos property.

APN is in regular contact with RBS and has advised of the updated covenant calculation. Based on the following factors, APN does not expect material consequences to follow as a result of this covenant breach:

- all interest payments to date have been made under the Spanish senior debt facility;
- the Spanish senior debt facility's Loan to Valuation Ratio has exceeded its relevant covenant limit for over 12 months; and
- AEZ continues to discuss its financial position with RBS. In recent discussions RBS has acknowledged that the most advantageous approach is to continue to support AEZ for an appropriate period, to allow a restructure, including asset sales.

Other than the above covenant breach and those set out in AEZ's 24 February 2010 results presentation, all covenants remain within relevant limits.

For further details, please contact Tim Slattery, Head of Europe on +613 8656 1000.

Yours sincerely

John Freemantle
Company Secretary

About the APN European Retail Property Group

The 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.