

# APN | European Retail Property Group

APN European Retail Property Holding Trust ARSN 114 153 641  
APN European Retail Property Management Trust ARSN 125 377 424



## ASX Announcement

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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 on the AEZ Group's performance and financing issues.

#### Market update

Trading conditions for the AEZ Group's retail tenants across Continental Europe remain challenging, with continuing macroeconomic headwinds. However, APN has noticed an increase in the number of enquiries for space at a number of centres – an encouraging sign of stabilisation in the retail trading environment.

Investment conditions similarly remain weak, with significant publicity on a relatively small number of transactions on 'super-prime' assets in select major city locations. Transaction volumes remain substantially below 2007-2008 levels however modest increases are now being recorded over first and second quarters of calendar 2009. Additional issuance of bonds in a number of key debt markets are positive initial signs that credit conditions are improving for real estate finance in several relevant markets.

#### Underlying performance

The AEZ Group's operating performance (in Euro adjusted for non-recurring items) for the quarter ended 30 September 2009 is in line with the result recorded for the preceding quarter ended 30 June 2009.

Net Operating Income adjusted for non-recurring items for the portfolio is also consistent with the June quarter with the following exceptions:

- City Mall and Cuadernillos – decreased from the June quarter as a result of ongoing economic pressures. The centres have needed to extend discount periods and increase discount rates to tenants and there has been an increase in vacancies during the September quarter; and
- City Gate – experienced downward pressure during the September quarter due to provisioning for doubtful debts and delays in letting up periods, while work continues on the re-positioning strategy for the centre.

### Position with lenders

As previously announced in AEZ's FY2009 result presentation, APN is currently negotiating a conditional waiver with the Royal Bank of Scotland plc and Deutsche Bank AG. This document has not yet been agreed between the parties however discussions remain constructive and APN expects the waiver to be agreed in the near term.

APN has completed its review of the regular quarterly covenant calculations for the City Mall (Romania) senior debt facility with Unicredit Bank Austria. The following table sets out the latest calculations for the interest cover ratio and debt service cover ratio. Both ratios have exceeded covenant limits in the facility agreement.

City Mall (Romania) Senior Debt Facility		
Ratio	Actual	Minimum required limit
Interest Cover Ratio	98%	100%
Debt Service Cover Ratio	74%	100%

APN initiated confidential discussions with Unicredit Bank Austria with respect to a potential restructure of this loan facility several weeks ago. These discussions are progressing productively and a detailed proposal is currently being considered by the lender.

As previously advised, the parent entity (the APN European Retail Property Holding Trust) has provided a limited guarantee of this facility to Unicredit Bank Austria. This covers any shortfall in interest and debt service from the City Mall property's net income.

There are no other material consequences which follow as a result of the above City Mall facility covenant breaches.

Other than the above covenant breach and those set out in AEZ's 26 August 2009 results presentation, all covenants remain within relevant limits.

### Capital management

APN's management team continues to progress the capital restructure options outlined in the FY2009 results presentation and is actively pursuing all asset sale opportunities with the primary objective of reducing group debt as quickly as possible.

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

Yours sincerely



John Freemantle  
Company Secretary

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#### 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.