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ASX Announcement

28 February 2013

Multiplex European Property Fund (ASX: MUE)
Interim Results 2013 and Fund Update

Brookfield Capital Management Limited (BCML), as Responsible Entity for Multiplex European Property Fund (the Fund) provides the following update to investors:

Interim Results

Key messages arising from the interim results for the six month period to 31 December 2012 are as follows:

- net cash held in Australia of approximately $ 31 million (12.5 cents per unit);
- net loss after tax of $1.7 million (31 December 2011: net loss after tax $26.7 million) with earnings per unit of (0.68) cents;
- net tangible assets (NTA) of $24.9 million or 10 cents per unit (30 June 2012: 11 cents per unit);
- €4.8 million property portfolio valuation decrement to €225.4 million, which represents a decrease of 2.1% on the 30 June 2012 valuation;
- property rental income of $14.9 million;
- portfolio occupancy of 90.6% with a weighted average lease expiry by income of 7.7 years.

The Fund's interim results are available in the form of an Interim Report and it is recommended that investors review this document. The financial report for the six months to 31 December 2012 is available at www.au.brookfield.com.

Property portfolio

BCML continues to maintain its practice of revaluing properties each reporting period. The properties were independently valued by Jones Lang LaSalle as at 31 December 2012 at €225.4 million. This represents a decrease of 2.1% on the 30 June 2012 valuation.

The decline in property values represents less demand from investors and increased supply in the retail sector in which the majority of the Fund's properties reside. In addition, the decreasing period to lease expiry of some significant assets has adversely affected value despite an increase in the portfolio weighted average lease expiry from 7.6 to 7.7 years.

Debt facility - put and call option

The Fund owns a 94.9% interest in the German partnerships which own the property portfolio. The remaining 5.1% interest in the partnerships is owned by a third party. At the time of acquisition of the 94.9% interest in the partnerships, the Fund and that third party entered into a put and call option agreement regarding the remaining 5.1% interest. The Fund has provided approximately $1.3 million in the financial statements in connection with the exercise of the option agreement and associated costs.

The agreement states:

- The third party grants the Fund a call option, or the right to request the third party to fully withdraw from its 5.1% share of the partnerships at the current prevailing market value. This option can be exercised by the Fund at any time up to 2 April 2013 and in the three months commencing 2 October 2013.
- The Fund grants the third party a put option to call upon the Fund to purchase its 5.1% share of the partnerships at the current prevailing market value. The put option is exercisable by the third party for four weeks commencing 2 April 2013.

Under the terms of the external debt facility, in certain circumstances, the rights and obligations under the option agreement are required to be transferred from one wholly owned entity of the Fund to another wholly owned entity to the satisfaction of the financier. Management has sought a waiver to this requirement to transfer. Without a waiver, the financier considers that failure to comply with this requirement results in an event of default existing under the facility. As the Fund has not obtained a waiver to this requirement steps have been taken to remedy this position by executing and delivering a transfer agreement to the financier.

There is a risk that, if the transfer has not been effected to the satisfaction of the financier, the financier may determine that the debt facility remains in breach and that an event of default under the facility is outstanding. If an event of default is outstanding, for as long as it remains unremedied, the financier may take action to accelerate the debt and enforce its security.

Debt facility - Cash lock up

As a result of lower property values, the Loan to Value Ratio (LVR) calculated for the Fund's debt facility at period end was 102.7%. This exceeds the 95% LVR which is required to avoid a cash lock up under the facility. Therefore, the cash and cashflow within the German partnerships that own the Fund's property interests must be retained in those partnerships and financier consent is required to pay certain expenses. Restrictions on cash remittances from the partnerships will cease only in limited circumstances where certain conditions are met.

The debt facility is due to expire in April 2014 and discussions with the financier are ongoing regarding issues related to the facility and the property portfolio. BCML will advise investors of the outcome of these discussions in due course.

German tax audit

During the half year to 31 December 2012 partnerships in which the Fund has an interest of 94.9% received and paid an assessment for German trade tax for the 2004 to 2006 income years in the amount of approximately €2 million including interest and penalties.

In line with independent advice received, the relevant entities have lodged an objection to the assessment and no response has been received to date from the German tax authority.

An audit has commenced for the 2007 to 2010 income years. Whilst each year is considered separately, if the tax authorities were to adopt the same views to 2007 as applied to 2004 to 2006 the current estimate of potential trade tax payable for that year would be approximately €27.6 million (including approximately €5.3 million interest and penalties calculated as at 1 February 2013). It is not expected that a liability exists for trade tax for the 2008 to 2010 income years.

In the event that a liability was to arise due to the audit, such liability would be payable by the respective German partnership and ultimately its partners.

Consistent with prior reporting periods, independent advice remains that, in the event that the matter was pursued through to court appeal, the relevant entity is more likely than not to successfully defend its position and no trade tax would be payable.

Cash reserves

The Fund currently retains net cash of approximately $31 million (12.5 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and their partners. BCML continues to consider optimal use of these reserves for investors. Expenses incurred by the Fund outside of Germany are currently being met from earnings on the cash retained in Australia and net proceeds of the forward foreign exchange contracts which remain in place.

Distributions

Distributions will remain subject to BCML's assessment of the cash lock up, operating and/or market conditions in Germany and Australia and taxation requirements. Further information will be provided to investors in due course.

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