MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Interim Report 2012

Responsible Entity
Brookfield Capital
Management Limited
ACN 094 936 866
AFSL 223809

Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed are the interim financial results for the six month period to 31 December 2011 for Multiplex European Property Fund (Fund).

FINANCIAL RESULTS

The Fund reported a net loss after tax of $26.7 million for the period, which includes a $29.3 million property valuation decrement and a $3.7 million net loss in respect of financial derivatives.

Whilst movement in foreign exchange rates makes comparison of financial information against prior periods difficult, underlying operating performance of the Fund's assets has decreased by approximately 3% in comparison to the same period in 2010.

Key financial results as at 31 December 2011 include:

- distributions paid or payable of $26.5 million
- total property rental income of $15.8 million
- net assets of $33.1 million and Net Tangible Asset (NTA) of $0.13 per unit

STATUS OF THE FUND AND CASH LOCK UP

As announced on 24 January 2012 the Fund's financier, Eurohypo AG, obtained a valuation of the Fund's properties. As at 31 December 2011 the portfolio was valued at €230.92 million, representing an 8.6% reduction from the 30 June 2011 valuation adopted by the Fund. Based on this, the Loan to Value Ratio (LVR) calculated for the debt facility exceeds 95% permitted under the terms of the debt facility.

As a consequence of exceeding this LVR, the cash and cashflow within the partnerships that own the Fund's property interests must be retained, and financier consent will be required to pay certain expenses. Restrictions on cash remittances from the partnerships will cease if various conditions are satisfied prior to 15 April 2013.

BCML is continuing discussions with the financier and will advise unitholders of the outcome. The Fund currently retains available cash balances of approximately $42 million (17 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility.

Whilst these issues continue to be discussed with the financier, the ongoing challenge and continued focus for the Fund is to fill property vacancies and negotiate improved lease terms with tenants.

Future 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 including the outcome of the German taxation audit. Further information will be provided to unitholders in due course.

Please visit www.au.brookfield.com for the Fund's financial statements.
On behalf of the Board, thank you for your ongoing support.

F. Allan McDonald
Independent Chairman

Half Year Review

Brookfield Capital Management Limited (BCML) the Responsible Entity of Multiplex European Property Fund (the Fund) provides a review of the half year ended 31 December 2011.

FINANCIAL RESULTS

The Fund experienced a small reduction in operational performance amidst continued uncertainty surrounding the economic position of Europe. Operating results presented in the financial statements, including prior period information, have comparability issues due to further depreciation of the Euro against the Australian dollar.

Euro denominated net operating income of the Fund has reduced by approximately 3%, compared to the same period in 2010.

The Fund experienced a small reduction in operational performance amidst continued uncertainty surrounding the economic position of Europe.

Key results for the half year ended 31 December 2011 are as follows:

- net loss after tax of $26.7 million (31 December 2010: net profit after tax $20.4 million);
- property portfolio valued at $293.8 million (30 June 2011: $341.6 million);
- property rental income of $15.8 million (31 December 2010: $17 million);
- earnings per unit (EPU) of (10.81) cents (31 December 2010: 8.3 cents);
- distributions of $26.5 million (31 December 2010: $3.1 million) and distributions per unit (DPU) of 10.75 cents per unit (31 December 2010: 1.25 cents per unit);
- net assets of $33.1 million and NTA of $0.13 (31 December 2011: $87.3 million and NTA of $0.35);
- portfolio occupancy of 92.5% (30 June 2011: 92%); and
- weighted average lease expiry (WALE) by income of 7.8 years (30 June 2011: 7.2 years).

VALUATION SUMMARY

SECTOR	30 JUNE 2010 VALUATION (€M)	31 DECEMBER 2010 VALUATION (€M)	30 JUNE 2011 VALUATION (€M)	31 DECEMBER 2011 VALUATION (€M)	% CHANGE JUNE–DECEMBER 2011
Retail	161.0	158.4	146.4	128.0	(12.6%)
Nursing homes	58.8	57.8	59.4	56.6	(4.5%)
Logistics	25.0	24.5	22.3	19.3	(13.5%)
Office	26.5	23.9	24.7	27.0	9.3%
Total	**271.3**	**264.6**	**252.8**	**230.9**	**(8.6%)**

ASSET MANAGEMENT

The Fund's property portfolio comprises of 67 properties: 55 retail properties, six nursing homes, three logistic properties and three office properties.

As at 31 December 2011, portfolio occupancy was 92.5% with a WALE of 7.8 years (weighted by income). The occupancy rate is predominantly impacted by a vacant discount supermarket at Rabenau and an office asset in Düsseldorf which is only 8% occupied. Six retail assets have a vacancy rate in excess of 10% and three additional assets have a vacancy rate of less than 5%. The remaining 55 assets in the portfolio are fully leased.

The properties were independently valued by Jones Lang LaSalle GmbH (JLL) on behalf of BCML and Eurohypo AG in Frankfurt as at 31 December 2011.

The market value of the portfolio was €230.92 million ($293.8 million based on 31 December 2011 exchange rate) which represents an 8.6% decline from the 30 June 2011 external valuation of €252.85 million.

Market value was assessed using the discounted cashflow calculation methodology. The decline in value of the properties can be attributed to a combination of factors including:

- a lower estimated total market rent for the portfolio;
- a greater expected period that a property would remain vacant before it is re-leased; and
- a higher average discount rate applicable to the portfolio.

OCCUPANCY AND WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY %	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	95	EDEKA, REWE, Hornbach	7.8
6 nursing homes	100	Kursana, Phoenix	10.3
3 logistic/warehouses	100	Spicers, TNT	3.1
3 offices	36	Deutsche Erwachsenen Bildungswerk e.V.	1.6
Total portfolio	**92.5**		**7.8**

Half Year Review

GENERAL OUTLOOK

Whilst the economic position of Europe remains challenging, prospects for the German economy are positive, it is anticipated the German Gross Domestic Product (GDP) will rise on average by 2.4% per annum (growth forecasts range from 1.4% to 3.2% depending on the economic research institute). Actual growth will depend on development of domestic demand. Considering the overall positive business and consumer climate, improvement in the unemployment rate is also expected.

The German investment market produced stronger results for the third quarter of 2011. Investment demand remains strong on the Core segment assets; that is, high quality property in a good location. The retail sector continues to dominate the market with shopping centres being the key focus for investors.

RETAIL SECTOR

The Fund has 55 retail properties, including supermarkets, discounts, retail parks, DIY and hypermarkets making up 59% of the total lettable area, which contribute approximately 56% of the total rental income. Aldi, Edeka, Lidl and Netto are represented across a number of the assets.

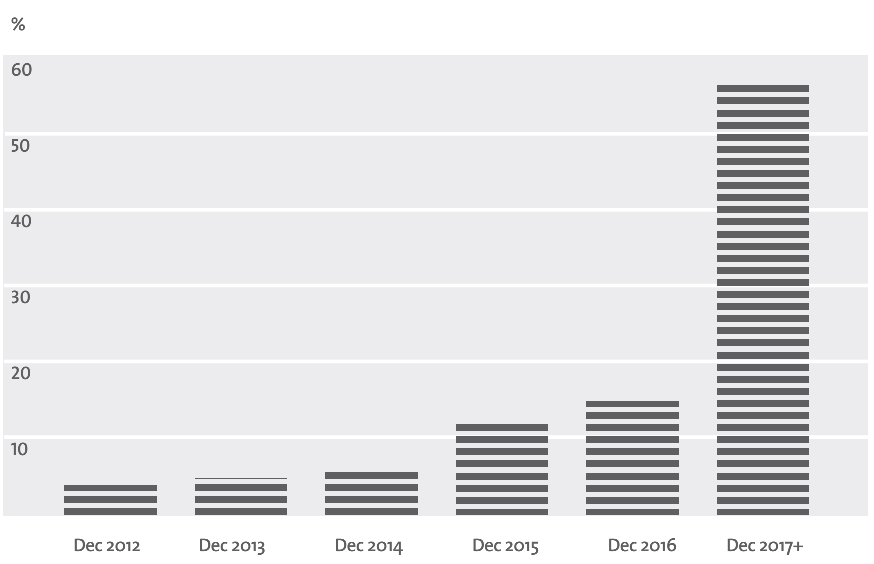
The retail sector provides a stable base for the Fund contributing 55.4% of the current portfolio value. With a large national and multi-national tenant mix, this sector offers security of income, typically with strong covenants and good credit ratings. Edeka Handelsgesellschaft contributes more than 12% of portfolio net income over five assets. Hornbach, the DIY operator, provides 6% of the portfolio net income.

SECTOR ALLOCATION

55% Retail/Other
25% Nursing homes
12% Office
8% Logistics

* Calculated on the value of properties as at 31 December 2011.

LEASE EXPIRY PROFILE (by income)



As competition between German retailers increases, the Fund continues to experience leasing pressure. This comes in the form of maintaining existing rental levels and supporting capital improvements to the properties. BCML remains confident that these pressures can be addressed and either secure new long-term leases or contract lease extensions with existing tenants. During the period, a nine year extension with Tegut at Feldatal and a new eight year term with Penny at Offenburg were secured.

NURSING HOMES

Nursing homes provide 25% of the Fund's asset value and remain an attractive asset class for investors, when viewed against the backdrop of an ageing German population.

LOGISTICS SECTOR

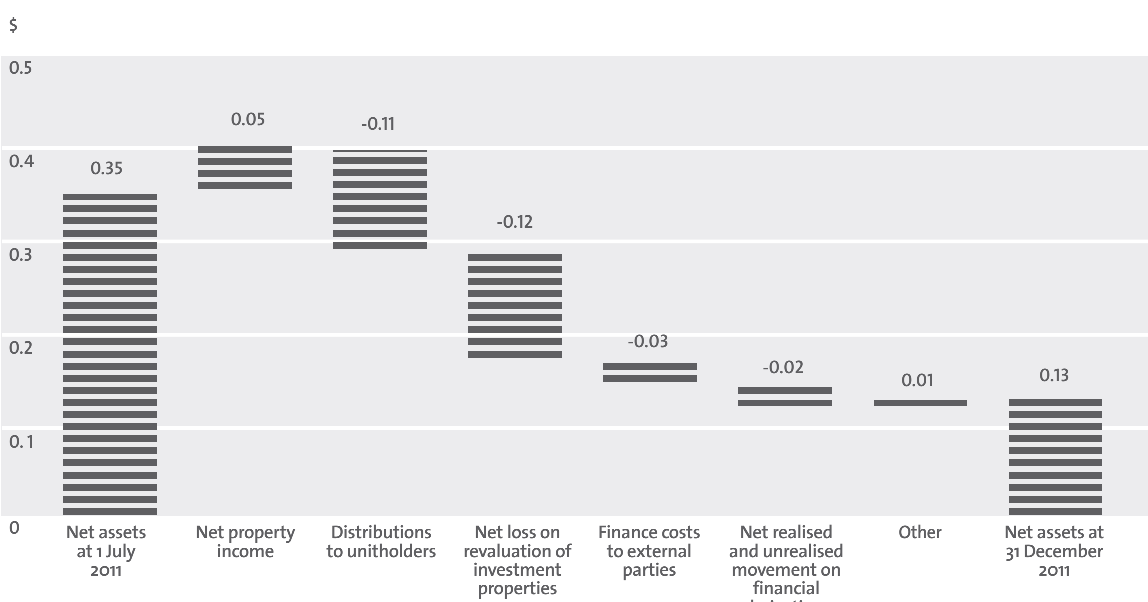
The portfolio includes three logistics sector assets, contributing 8% of the portfolio value and 9.5% of the income.

OFFICE SECTOR

The Fund's office portfolio value has increased largely as a result of the more positive outlook for the office rents at the Düsseldorf property and long-term lease prospects.

Investor focus and low interest rates have put yields under pressure, causing prime office yields to fall by 5 basis points in Frankfurt, Hamburg and Munich. Foreign investors accounted for just 24% of the office transaction volume against 44% of the overall retail volume. Of the property portfolios sold in the first nine months of 2011 approximately 7% of transactions related to office portfolios. None of the office transactions exceeded €100 million.

NTA MOVEMENT (per unit)



Half Year Review

DEBT AND HEDGING

Debt

As at 31 December 2011, the portfolio value was €230.92 million, representing an 8.6% reduction from the 30 June 2011 valuation, being approximately equal to the principal amount owing under the debt facility. The LVR calculated for the purposes of the debt facility is approximately 100.2%. As the LVR exceeds 95%, the terms of the debt facility provide that cash and cashflow within the partnerships that own the Fund's investment property interests must be retained within those entities, and financier consent is required to pay certain expenses.

The debt is due to be repaid on 15 April 2014, and remains classified as non-current debt within the accounts as no event of default arises as a direct consequence of the reduced valuation and the increased LVR. The restrictions on cash remittances from the partnerships will cease if various conditions are met prior to 15 April 2013 including a reduction in LVR to 95% or below and an Interest Cover Ratio of greater than 140% for the two preceding interest payment dates.

Hedging

In September 2011 BCML completed an unwind of the Fund's Cross-Currency Interest Rate Swap (CCIRS) for total proceeds of $34.8 million (net of all transaction costs). This swap was put in place at the time the Fund was established in order to address the risk associated with fluctuations in the relative value of the capital invested between the Australian dollar and the Euro. Unwinding the CCIRS means that the net equity position of the Fund's investment in the property portfolio is not hedged. Therefore, the Fund may be impacted by movements between the Australian Dollar and the Euro.

There has been no change to the Fund's other derivative instruments as follows:

- An interest rate swap remains in place in the Fund's German partnerships with the effective interest rate being fixed at 4.48%.
- Forward quarterly foreign exchange contracts remain in place outside the Fund's German partnerships whereby Euro is exchanged for Australian dollars on a quarterly basis.

BCML will continue to monitor exchange rate movements and all hedging arrangements currently in place.

FUND SNAPSHOT (as at 31 December 2011)

Listing date	3 July 2007
Market capitalisation[1]	$48.1 million
Total assets	$356 million
NTA per unit	$0.13
Portfolio occupancy	92.5%
Portfolio weighted average lease expiry (by income)	7.8 years
ASX liquidity (units per day, period average)	365,611
Loan to value ratio (interest bearing loans/property assets)[2]	100.2%
Management fee[3] (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark[4] outperformance

Notes:

1 Market capitalisation as at close of trading on 31 December 2011.

2 Calculated using 31 December 2011 valuations.

3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.

4 S&P/ASX 300 A-REIT Accumulation Index.

CASHFLOW CONSIDERATIONS

The Fund currently retains available cash balances of approximately $42 million (17 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is not affected by the lock up of cash in the Fund's German partnerships.

In the event that the cash lock-up continues, costs to manage the Fund (estimated to be approximately $2 million per annum) will be met from cash reserves, earnings on such reserves or net proceeds from the forward quarterly foreign exchange contracts which remain in place.

TAX AUDIT

The Fund's German partnerships continue to be the subject of a German taxation audit for the years 2004 to 2006. The primary area subject to audit relates to trade tax and was identified in the Fund's PDS (dated 20 April 2007).

The current estimate of the potential liability for the years under review is approximately €1.7 million (including interest). No taxation audit has commenced in relation to the 2007 year. In the event that the 2007 year is subjected to taxation audit, the current estimate of the potential liability relating to trade tax for that year would be approximately €22 million (including interest).

In the event that a liability were to arise as a result of the audit, such liability would be payable by the respective German partnership or its partners.

Consistent with prior reporting periods, on the basis of independent advice, no liability has been booked in the accounts in respect of the audit.

DISTRIBUTIONS

Distributions paid or payable for the six months to 31 December 2011 total $26.5 million (10.75 cents per unit) including a special distribution paid of $23.5 million (9.5 cents per unit) in November 2011.

Declaration of future distributions will remain subject to BCML's assessment of the effects of the cash lock up, operating and/or market conditions in Germany and Australia and taxation requirements including the outcome of the German taxation audit. Further information will be provided to unitholders in due course.

RECONCILIATION OF NORMALISED PROFIT

Net loss after tax	($26.7) million
Adjustments:	
– net loss on revaluation of investment property	$29.3 million
– net loss on revaluation of financial derivatives	$39.3 million
– deferred income tax benefit	($0.8 million)
– amortisation of borrowing costs	$0.2 million
Normalised net profit	$41.3 million
Normalised earnings per unit	16.7 cents
Distributions per unit (including special distributions)	10.75 cents

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 31 December 2011

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2011 $'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2010 $'000
Revenue and other income		
Property rental income	15,787	17,017
Interest income	1,467	3,276
Net realised gain on financial derivatives	35,499	–
Net gain on revaluation of financial derivatives	–	23,021
Other income	–	130
Total revenue and other income	**52,753**	**43,444**
Expenses		
Property expenses	2,784	3,123
Finance costs to external parties	7,298	7,627
Management fees	810	853
Net loss on revaluation of investment properties	29,255	9,445
Net loss on revaluation of financial derivatives	39,258	–
Other expenses	1,000	706
Total expenses	**80,405**	**21,754**
(Loss)/profit before income tax	**(27,652)**	**21,690**
Income tax benefit/(expense)	945	(1,284)
Net (loss)/profit after tax	**(26,707)**	**20,406**
Other comprehensive income		
Changes in foreign currency translation reserve	(992)	(3,500)
Other comprehensive loss for the period	**(992)**	**(3,500)**
Total comprehensive (loss)/income for the period	**(27,699)**	**16,906**
Net (loss)/profit attributable to ordinary unitholders	**(26,707)**	**20,406**
Total comprehensive (loss)/income attributable to ordinary unitholders	**(27,699)**	**16,906**
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	(10.81)	8.26

The Condensed Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements, available at www.au.brookfield.com.

Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2011

	CONSOLIDATED 31 DECEMBER 2011 $'000	CONSOLIDATED 30 JUNE 2011 $'000
Assets		
Current assets		
Cash and cash equivalents	52,681	39,192
Trade and other receivables	1,050	3,117
Fair value of financial derivatives	2,278	1,923
Total current assets	**56,009**	**44,332**
Non-current assets		
Investment properties	293,791	341,643
Fair value of financial derivatives	2,934	36,507
Deferred tax asset	2,860	2,023
Total non-current assets	**299,585**	**380,173**
Total assets	**355,594**	**424,405**
Liabilities		
Current liabilities		
Trade and other payables	5,422	6,975
Distribution payable	1,543	1,543
Provisions	946	1,005
Total current liabilities	**7,911**	**9,523**
Non-current liabilities		
Interest bearing liabilities	293,793	311,870
Fair value of financial derivatives	18,250	12,968
Minority interest payable	2,543	2,701
Total non-current liabilities	**314,586**	**327,539**
Total liabilities	322,497	337,062
Net assets	**33,097**	**87,343**
Equity		
Units on issue	227,228	227,228
Reserves	(718)	274
Undistributed losses	(193,413)	(140,159)
Total equity	**33,097**	**87,343**

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements, available at www.au.brookfield.com.

Corporate Directory

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STOCK EXCHANGE
The Fund is listed on the Australian Securities Exchange (ASX Code: MUE). The Home Exchange is Sydney.

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