Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Interim Report 2013

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 is the interim financial report for the half year period to 31 December 2012 for Multiplex European Property Fund (Fund).

FINANCIAL RESULTS

The Fund reported a net loss after tax of $1.7 million for the half year to 31 December 2012, which includes an unrealised $7.4 million property valuation decrement.

Key financial results as at 31 December 2012 include:

- net cash held in Australia of approximately $31 million
- net assets of $24.9 million or $0.10 per unit
- property portfolio valued at $286.4 million
- total property rental income of $14.9 million

STATUS OF FUND, CASH LOCK UP AND GERMAN TAX AUDIT

As at 31 December 2012, the Fund's property portfolio value was €225.4 million and the Loan to Value Ratio (LVR) calculated for the Fund's debt facility was 102.7%. As a result, the Fund's debt facility requires cash and cashflow within the Fund's German partnerships be subject to lock up in those partnerships and financier consent is required to pay certain expenses. Approximately €12.1 million is presently retained and cash has been used to fund the ongoing requirements of the property portfolio. The restrictions on cash remittances from the partnerships will cease only in limited circumstances where certain conditions are met.

Discussions have taken place with the financier in relation to obligations under the debt facility relating to the put and call options over the remaining 5.1% of the partnerships not currently owned by the Fund. There is a risk that the financier is not satisfied that the obligations have been met and that the partnerships are in default under the facility.

Further, the debt facility is due to expire in April 2014 and discussions with the financier are ongoing regarding issues related to the facility and property portfolio.

The tax audit of the German partnerships continues. An objection has been lodged in relation to the assessment of approximately €2 million in trade tax for the 2004 to 2006 income years which was paid from cash retained in Germany. An audit of the 2007 to 2010 income years has commenced.

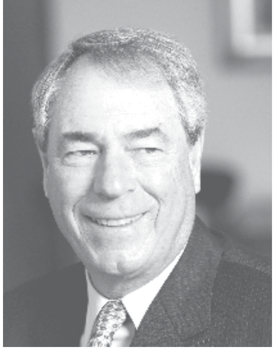
The Fund currently retains available cash balances of approximately $31 million (12.5 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and its partners.

DISTRIBUTIONS

Future distributions remain subject to BCML's assessment of the cash lock up, operating costs, market conditions in Germany and Australia and taxation requirements. Further information will be provided to investors when available.

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 2012.

FINANCIAL RESULTS

The Fund experienced consistent operational performance amidst continued uncertainty in the underlying economic position of Europe.

In the half year to 31 December 2012, the property portfolio value decreased by 2.1% or €4.8 million. Due to appreciation of the euro against the Australian dollar, on conversion to Australian dollars, the property portfolio shows an increase in value of $2.1 million. The overall movement in net assets of the Fund was a decrease of $1.8 million over the period.

Key results for the half year ended 31 December 2012 are as follows:

- property portfolio valued at $286.4 million (30 June 2012: $284.3 million);
- net loss after tax of $1.7 million (31 December 2011: net loss after tax of $26.7 million);
- property rental income of $14.9 million (31 December 2011: $15.8 million);
- earnings per unit of (0.68) cents (31 December 2011: (10.81) cents);
- there were no distributions to unitholders;
- net assets of $24.9 million or 10 cents per unit (30 June 2012: $26.7 million or 11 cents per unit);
- portfolio occupancy of 90.6% (30 June 2012: 92.4%); and
- weighted average lease expiry (WALE) by income of 7.7 years (30 June 2012: 7.6 years).

ASSET MANAGEMENT

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

As at 31 December 2012, portfolio occupancy was 90.6% with a WALE of 7.7 years (by income). The occupancy rate remains impacted by an office asset in Düsseldorf which is only 7% occupied, a vacant discount supermarket at Rabenau, and 86% occupancy at Bochum. The occupancy rate has declined from 92.4% at 30 June 2012 due to a further vacancy at a logistics property in Gera.

VALUATION SUMMARY

SECTOR	30 JUNE 2011 VALUATION (€M)	31 DECEMBER 2011 VALUATION (€M)	30 JUNE 2012 VALUATION (€M)	31 DECEMBER 2012 VALUATION (€M)	% CHANGE JUNE–DECEMBER 2012
Retail	146.4	128.0	127.4	123.1	–3.4%
Nursing homes	59.4	56.6	56.9	57.0	0.2%
Logistics	22.3	19.3	19.0	18.7	–1.6%
Office	24.7	27.0	26.9	26.6	–1.1%
Total	**252.8**	**230.9**	**230.2**	**225.4**	**–2.1%**

The properties were independently valued by Jones Lang LaSalle GmbH (JLL) in Frankfurt as at 31 December 2012. The market value of the portfolio was €225.4 million which represents a 2.1% decline from the 30 June 2012 value of €230.2 million.

Market value was assessed using the discounted cashflow calculation methodology.

RETAIL SECTOR

The Fund has 55 retail properties including supermarkets, discounts, retail parks, DIY and hypermarkets. Large national and multi-national tenants including Aldi, Edeka, Lidl and Netto are represented across a number of the assets.

Edeka Handelsgesellschaft contributes more than 14% of portfolio net income over seven assets. Hornbach, the DIY operator, provides 6% of the portfolio net income.

Although the German retail market is still attractive to investors, volume is below investment levels from preceding years due to a declining supply of quality

Net cash held in Australia was approximately $31 million as at 31 December 2012

properties with long term lease and low risk profiles. Overall, the value of the Fund's retail portfolio declined by 3.4% from June 2012 to December 2012. This is mainly due to capital expenditure requirements, higher levels of vacancy and shorter unexpired lease terms.

Retail assets that showed an increase in value due to the negotiations of new lease deals include:

Wittmund

Deals were completed with both the principal tenants.

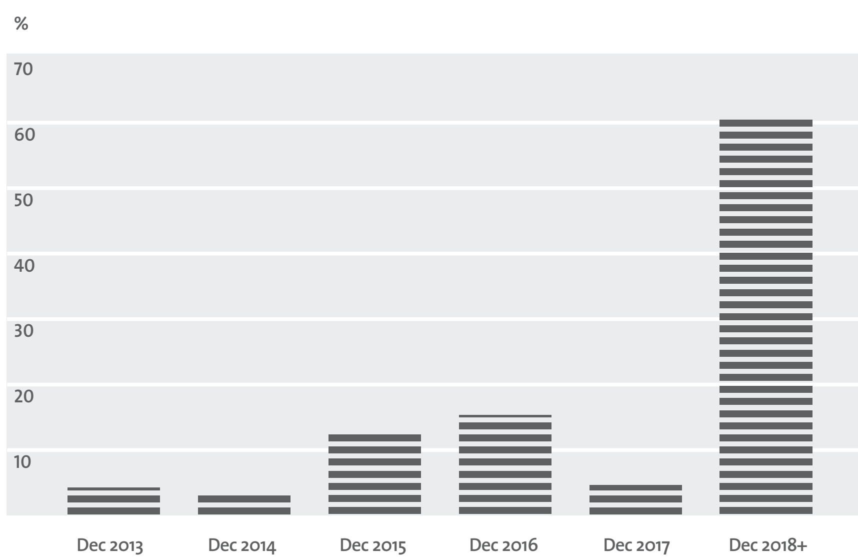
- **Aldi.** Signed a 12-year term lease contract with the agreement that the old property (835 sqm) will be completely demolished and replaced by a new building of approximately 1,750 sqm.
- **Combi.** The current building will be extended by an

SECTOR ALLOCATION

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

* Calculated on the value of properties as at 31 December 2012.

LEASE EXPIRY PROFILE (by income)



Half Year Review

additional 1,134 sqm to 3,814 sqm, on a new 15-year lease contract. The completion of the construction works is expected in the middle of 2014.
As a result the valuation for this property has increased from €1.57 million in June 2012 to €3.99 million in December 2012.

Malchin

A new 12-year term lease with Lidl was completed resulting in a 22% increase in value of that asset from June 2012 to December 2012.

These extensions have been undertaken on terms to secure the value of the properties. Additional leasing discussions are well progressed and should complete in the immediate future.

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. During 2012, two Phönix nursing homes lease terms were extended, one for 5.5 years and the second for 6 years, increasing the WALE to 15 years.

Discussions continue with the lessee of three other nursing homes to extend the existing lease terms for up to a further five years from 2020.

LOGISTICS SECTOR

The portfolio comprises three logistics sector assets which makes up 8% of the Fund's portfolio value. After termination of the Hermes lease in Gera, the vacancy rate of the logistics portfolio increased to 12.3%. Intense re-letting activities have led to discussions with several interested tenants. TNT exercised its option in Hallbergmoos for a further three years.

OFFICE SECTOR

The office portfolio accounts for 12% of the total portfolio value. To address vacancies, the Fund has committed significant leasing resources to the principal office asset in Düsseldorf. Works to the showroom, entrance area and facade are now complete and have been well received in the market. Intensive marketing and re-letting activities are in progress.

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	94.1	EDEKA, REWE, Hornbach	7.09
6 nursing homes	100	Kursana, Phoenix	11.56
3 logistic/warehouses	87.7	Spicers, TNT	3.74
3 offices (including data centre)	64.8	Deutsche Erwachsenen Bildungswerk e.V.	12.93
Total portfolio	**90.6**		**7.70**

DEBT AND HEDGING

Put and call option

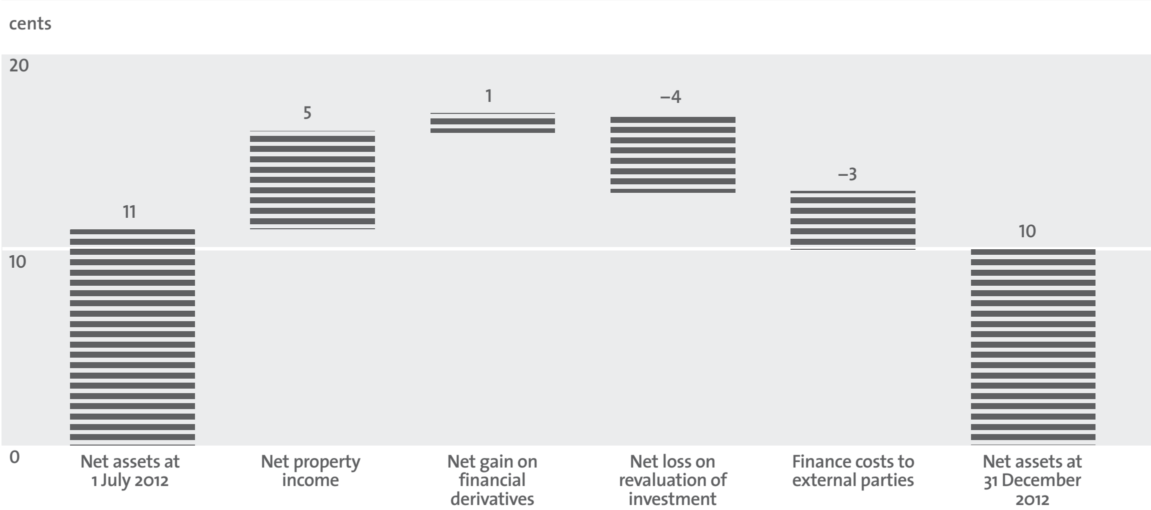
The Fund owns a 94.9% interest in the German partnerships which own the property portfolio. The remaining 5.1% interest in the partnerships is owned by a third party. At the time of acquisition of the 94.9% interest in the partnerships, the Fund and that third party entered into a put and call option agreement regarding the remaining 5.1% interest. The Fund has provided for an amount of 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.

NTA MOVEMENT (per unit)



Half Year Review

Debt

As at 31 December 2012, the portfolio value was €225.4 million, representing a 2.1% reduction from the 30 June 2012 valuation.

The LVR calculated for the debt facility is approximately 102.7%. As the LVR exceeds 95%, the debt facility terms provide that cash and cashflow within the partnerships that own the Fund's 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. Restrictions on cash remittances from the partnerships will cease only in limited circumstances if various conditions are met including no event of default exists, 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

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

– An interest rate swap remains in place in the Fund's German partnerships with the effective interest rate fixed at 4.48% (carrying value as at 31 December 2012 of ($13.9) million); and
– 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 (carrying value as at 31 December 2012 of $3.4 million).

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

CASHFLOW CONSIDERATIONS

The Fund currently has net cash balances 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 not affected by the lock up of cash in the Fund's German partnerships.

FUND SNAPSHOT (as at 31 December 2012)

Listing date	3 July 2007
Market capitalisation[1]	$24.4 million
Total assets	$340.6 million
Net assets per unit	$0.10
Portfolio occupancy	90.6%
Portfolio weighted average lease expiry (by income)	7.7 years
Fund gearing (interest bearing loans/total assets at Fund level)	86.3%
Loan to value ratio (interest bearing loans/property assets)[2]	102.7%
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 2012.

2 Calculated using 31 December 2012 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.

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

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.

DISTRIBUTIONS

No distributions were paid or payable for the half year to 31 December 2012.

Future distributions will remain subject to BCML's assessment of the effects of the cash lock up, operating and/or market conditions in Europe and Australia and taxation requirements.

RECONCILIATION OF NORMALISED PROFIT

Net loss after tax	($1.7) million
Adjustments:	
– net loss on revaluation of investment property	$7.4 million
– net unrealised gain on revaluation of financial derivatives	($1.9) million
– deferred income tax benefit	$0.5 million
– amortisation of borrowing costs	$0.1 million
Normalised net profit	$4.4 million
Normalised earnings per unit (cents per unit)	1.8 cents
Distributions per unit (cents per unit)	0.0 cents

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2012

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2012 $'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2011 $'000
Revenue and other income		
Property rental income	14,931	15,787
Interest income	698	1,467
Net realised gain on financial derivatives	1,263	35,499
Net unrealised gain on revaluation of financial derivatives	1,929	–
Total revenue and other income	**18,821**	**52,753**
Expenses		
Property expenses	2,155	2,784
Finance costs to external parties	6,668	7,298
Management fees	693	810
Net loss on revaluation of investment properties	7,402	29,255
Net unrealised loss on revaluation of financial derivatives	–	39,258
Other expenses	700	1,000
Total expenses	**17,618**	**80,405**
Profit/(loss) before income tax	**1,203**	**(27,652)**
Income tax (expense)/benefit	(2,884)	945
Net loss after tax	**(1,681)**	**(26,707)**
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Changes in foreign currency translation reserve	(92)	(992)
Other comprehensive loss for the period, net of income tax	**(92)**	**(992)**
Total comprehensive loss for the period	**(1,773)**	**(27,699)**
Net loss attributable to ordinary unitholders	**(1,681)**	**(26,707)**
Total comprehensive loss attributable to ordinary unitholders	**(1,773)**	**(27,699)**
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	**(0.68)**	**(10.81)**

The Condensed Consolidated Interim Statement of Profit or Loss and Other 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 2012

	CONSOLIDATED 31 DECEMBER 2012 $'000	CONSOLIDATED 30 JUNE 2012 $'000
Assets		
Current assets		
Cash and cash equivalents	47,524	44,767
Trade and other receivables	1,150	574
Fair value of financial derivatives	2,294	2,452
Total current assets	**50,968**	**47,793**
Non-current assets		
Investment properties	286,413	284,327
Fair value of financial derivatives	1,065	2,218
Deferred tax asset	2,196	2,633
Total non-current assets	**289,674**	**289,178**
Total assets	**340,642**	**336,971**
Liabilities		
Current liabilities		
Trade and other payables	6,050	6,338
Minority interest payable	1,271	1,235
Total current liabilities	**7,321**	**7,573**
Non-current liabilities		
Trade and other payables	783	695
Interest bearing liabilities	293,761	285,393
Fair value of financial derivatives	13,877	16,637
Total non-current liabilities	**308,421**	**302,725**
Total liabilities	**315,742**	**310,298**
Net assets	**24,900**	**26,673**
Equity		
Units on issue	227,228	227,228
Reserves	(270)	(178)
Undistributed losses	(202,058)	(200,377)
Total equity	**24,900**	**26,673**

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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