

# Interim Report 2009

## Multiplex European Property Fund

ARSN 124 527 206



### Responsible Entity

Brookfield Multiplex Capital Management Limited  
ACN 094 936 866, AFSL 223809

# Interim Report

The background of the lower half of the cover is a photograph of a modern building's interior. It features a large glass facade with a complex metal frame. A single, glowing, dome-shaped pendant light hangs from the ceiling. In the foreground, several vertical glass panels are visible, some of which are slightly out of focus, creating a sense of depth and architectural detail.

\$21.67m

96%

3.75cpu

Total property  
rental income

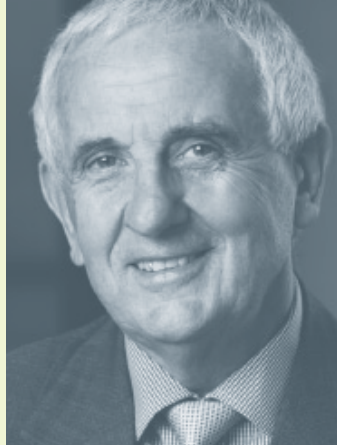
Portfolio  
occupancy

Normalised  
earnings per unit

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## Message from the Chairman and CEO



On behalf of the Board of Brookfield Multiplex Capital Management Limited (BMCML) we enclose the interim financial results for the period to 31 December 2008 for Multiplex European Property Fund.

### Financial results

The Fund has reported a net loss after tax of \$150.61 million which includes \$85.63 million property revaluation decrement and \$89.77 million financial derivative mark-to-market decrement. The normalised net profit after tax of \$9.25 million is in line with expectations.

### Property portfolio – strong tenants and assets

The quality of the Fund's tenants and assets has ensured that its normalised financial results have remained consistent since settlement in April 2007, despite significant changes in the operating environment.

For the fourth straight period, the Fund's independent external valuation has highlighted that gross rent has continued to increase from €23.20 million at acquisition in April 2007 to €23.65 million as at 31 December 2008.

### Debt and hedging

No part of the Fund's term facility is due to be refinanced before expiry in April 2014 and the Fund remains in compliance with all its term facility and financial derivative obligations.

### Fund strategy and outlook

During these uncertain times the Board remains focussed on the Fund's financial position and implementing strategies to achieve the best possible long-term outcome for investors.

We would like to thank our investors for their ongoing support and confidence in Brookfield Multiplex Capital. We will continue to provide further updates during the year.

**Peter Morris**  
Chairman

**Mark Wilson**  
CEO – Funds Management

**Financial results as at 31 December 2008**

Net profit/loss	-\$150.6 million
Earnings per unit (weighted)	-60.98cpu
Distributions per unit	3.75cpu
Total net assets	\$91.63 million
NTA per unit	\$0.37
Fund gearing (total interest-bearing loans/total assets at fund level)	74%

**Normalised results as at 31 December 2008<sup>1</sup>**

Net profit/loss	\$9.25 million
Earnings per unit	3.75cpu
Distributions per unit	3.75cpu
Total adjusted net assets	\$149.32 million
NTA per unit	\$0.60
Fund gearing (total interest-bearing loans/total assets at relevant borrowing level)	78%

Note:

1 Figures exclude fair value adjustments and one-off items.

### Fund snapshot as at 31 December 2008

Funds under management	\$637 million
Portfolio occupancy	96%
Portfolio weighted average lease expiry	8.1 years
Market capitalisation <sup>1</sup>	\$41.9 million
ASX liquidity (units per day; 3 month rolling average)	135,000
Management fee <sup>2</sup>	0.4%
Distributions paid	Quarterly

Notes:

- 1 Market capitalisation as at close of trading on 31 December 2008.
- 2 From 1 October 2008 as outlined in the Chairman's letter dated 14 June 2007. Excluding GST.

8.1 years weighted  
average lease expiry

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# Fund Manager's Half Year Review

# \$21.67m

On behalf of Multiplex European Property Fund (Fund) and BMCML, I present the Fund Manager's Review for the half year ended 31 December 2008.

### The period in summary

The last six months of 2008 has seen a continued downward trend in economic and financial markets.

Key messages in the financial results of the Fund are as follows:

- a net loss after tax of \$150.61 million for the period ended 31 December 2008;
- normalised earnings (i.e. excluding fair value adjustments on property and financial derivatives) of \$9.25 million, or 3.75 cents per unit for the period;
- Net Tangible Assets (NTA) of \$91.63 million or \$0.37 per unit;
- NTA excluding the mark-to-market value of the Fund's financial derivatives is \$149.32 million or \$0.60 per unit;
- total property rental income of \$21.67 million for the period ended 31 December 2008;
- €41.94 (\$85.63) million valuation decrement recorded across the Initial Properties to €298.05 million, which represents a decrease of 12.33% on the 30 June 2008 valuation of €340.01 million;
- portfolio weighted average lease expiry (by income) is 8.1 years;

## Total property rental income

- the portfolio occupancy remains at 96%;
- distributions paid or payable for the period to investors of \$9.26 million, or 3.75 cents per unit;
- the Fund remains in compliance with all its financing covenants; and
- no changes to distribution guidance from the ASX announcement on 17 December 2008.

### Economic outlook

The period has seen a steady flow of negative news from Germany and Europe. There are, however, some opinions that Germany may emerge from recession earlier than other European countries given its economy has a more industrial orientation rather than being financially dominated. The issue remains as to when this upward momentum may emerge.

### Financial results

The financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). To assist investors to interpret the Fund's financial results for the period, a normalised financial snapshot is presented on page 2.

The Fund reported a net loss after tax of \$150.61 million, which included a \$85.63 million property revaluation decrement and \$89.67 million in financial derivative mark-to-market decrement. The normalised net profit after tax of \$9.25 million is in line with expectations.



The Fund's financial results continue to be impacted by the mark-to-market value of the Fund's derivatives at balance date. During the period, an unrealised decrement of \$89.67 million was recorded in the Fund's Income Statement. However, these adjustments are non-cash related as the Fund's derivative obligations were fixed at the time of entering into the derivatives in November 2006 and do not change during the term of the financial instrument.

The introduction of German corporate tax reform from 1 January 2008 has had an impact on the financial results of the Fund during the period.

BMCML has waived a portion of its fees in the period so that investors are not adversely impacted under the new tax regime. This arrangement will continue based on the details outlined in the Chairman's letter dated 14 June 2007.

It is expected that, unless the Fund can restructure its operations or there is a change in law, the Fund will continue to be liable for German corporate income tax in the future.

### **Property portfolio**

The Initial Properties were independently valued as at 31 December 2008.

The Fund's Initial Properties decreased in value to €298.05 million from €340.01 million as at 30 June 2008. The 12% decline in value is in line with general market observations and is reflective of broader market sentiment in Germany. The portfolio's weighted average initial yield has increased by 88bps to 7.09%.

The quality of the Fund's tenants and assets has ensured that its normalised financial results have remained consistent since settlement (April 2007), despite significant changes in its operating environment. For the fourth straight period, the Fund's independent external valuation has highlighted that gross rent continued to increase from €23.20 million at acquisition in April 2007 to €23.65 million as at 31 December 2008.

The Weighted Average Lease Expiry (WALE) remains steady at 8.1 years. A combination of lease rollovers (rolling 12 month extensions following a lease expiry) and lease renewals have maintained the WALE during the period.

### **Debt and hedging**

The Fund's term facility with Eurohypo AG remains attractively priced in the current market (including covenants) even though the European Central Bank has decreased official cash rates to 2%.\* The drop in cash rates has been offset by an increase in credit margins, and this has continued to keep the overall cost of borrowing high for new finance. No part of the term facility is due to be refinanced before expiry in April 2014.

The Fund is currently in compliance with all its term facility and financial derivative obligations. Specifically, the Fund's Loan to Value Ratio (LVR) is 77.63% and gearing stands at 73.52% at the Fund level. These measures are below the LVR covenant limit of 95% required by Eurohypo AG.

The weakening Australian dollar against the Euro during the period would ordinarily result in a higher NTA value upon translation of the Fund's overseas operations. However, the Fund's financial derivatives offset this impact and the Fund's NTA will continue to fluctuate in the future.

\* As 15 January 2009.



# Fund Manager's Half Year Review

## Distribution guidance

Distribution guidance for the remainder of FY2009 remains as announced in December 2008, as follows:

Quarter ending <b>31 March 2009</b>	MUE
<i>Estimated</i> distribution rate (cents per unit)	0.625
Quarter ending <b>30 June 2009</b>	MUE
<i>Estimated</i> distribution rate (cents per unit)	0.625

Distributions will be subject to BMCML's assessment of the Fund's operating results, future financial commitments and prevailing market conditions.

## Strategic options

BMCML confirms the following current strategies for the Fund:

- BMCML does not consider that the Fund should be de-listed from the Australian Securities Exchange (ASX);
- there will be no introduction of a Distribution Reinvestment Plan (DRP) during the remainder of FY2009;
- there will be no capital raisings undertaken by the Fund (subject to there being no changes in circumstances) during the remainder of FY2009; and
- there will be no share buyback program introduced prior to 30 June 2009.

BMCML considers that the capital position of the Fund is appropriate for the Fund's current and foreseeable circumstances and will continue to monitor the Fund's capital position to ensure that it is appropriate at all times.

For further information relating to the half year ended 31 December 2008, please see the full interim financial report which is available on our website [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

On behalf of the Board and management, thank you for your continued support of the Fund.



**David Newling**

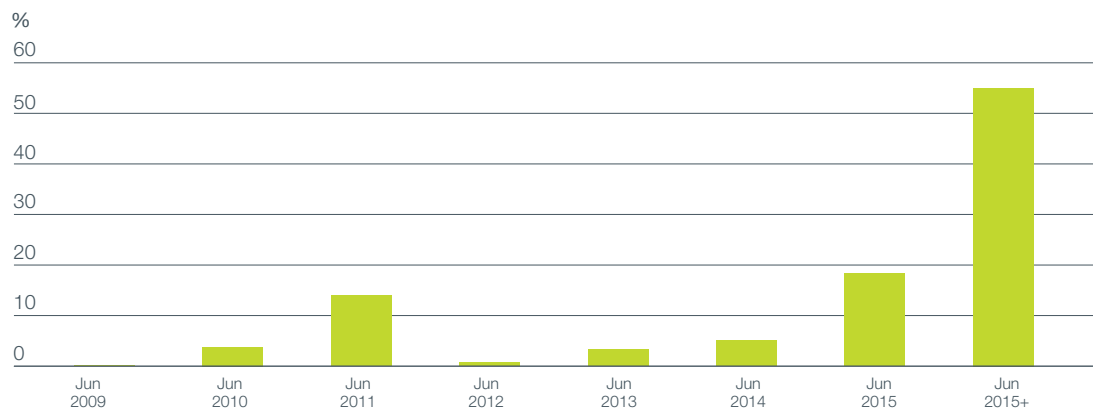
Head of Direct Property Funds



### High occupancy with long Weighted Average Lease Expiry (WALE)

Description	Occupancy	Major tenants	Years (by income)
55 Retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	93.8	EDEKA, REWE, Hornbach	7.5
6 Nursing homes	100.0	Kursana, Phönix	13.3
3 Logistic/warehouses	100.0	Spicers, TNT	4.5
3 Offices	96.1	State of Nord Rhine-Westphalia	4.6
<b>Total portfolio</b>	<b>95.6</b>		<b>8.1</b>

### Lease expiry profile by income



# Consolidated Interim Income Statement

For the half year ended 31 December 2008

	Consolidated Six months ended 31 December 2008 \$'000	Consolidated Period from 2 April 2007 to 31 December 2007 \$'000
<b>Revenue</b>		
Property rental income	21,677	29,767
Interest income	2,458	5,063
Net gain on revaluation of financial derivatives	–	7,907
Other income	114	216
<b>Total revenue and other income</b>	<b>24,249</b>	<b>42,953</b>
<b>Expenses</b>		
Property expenses	1,439	4,711
Finance costs to external parties	9,934	12,998
Management fees	1,645	2,021
Net loss on revaluation of investment property	85,638	1,094
Net loss on revaluation of financial derivatives	89,776	–
Other expenses	1,741	540
<b>Total expenses</b>	<b>190,173</b>	<b>21,364</b>
<b>Profit before income tax</b>	<b>(165,924)</b>	<b>21,589</b>
Income tax benefit/(expense)	15,313	(5,804)
<b>Net (loss)/profit after tax</b>	<b>(150,611)</b>	<b>15,785</b>
<b>Earnings per unit</b>		
Basic and diluted earnings per ordinary unit (cents)	<b>(61.0)</b>	<b>8.79</b>

# Consolidated Interim Balance Sheet

As at 31 December 2008

	Consolidated 31 December 2008 \$'000	Consolidated 30 June 2008 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	18,229	15,442
Trade and other receivables	1,765	2,010
Fair value of financial derivatives	–	706
<b>Total current assets</b>	<b>19,994</b>	<b>18,158</b>
<b>Non-current assets</b>		
Investment properties	605,928	557,020
Fair value of financial derivatives	–	25,729
Deferred income tax asset	10,883	–
<b>Total non-current assets</b>	<b>616,811</b>	<b>582,749</b>
<b>Total assets</b>	<b>636,805</b>	<b>600,907</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	8,974	7,120
Distribution payable	4,630	5,191
Fair value of financial derivatives	897	–
Provisions	1,687	1,500
<b>Total current liabilities</b>	<b>16,188</b>	<b>13,811</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	468,168	377,107
Deferred income tax liability	–	4,032
Fair value of financial derivatives	56,795	–
Minority interest payable	4,021	3,277
<b>Total non-current liabilities</b>	<b>528,984</b>	<b>384,416</b>
<b>Total liabilities</b>	<b>545,172</b>	<b>398,227</b>
<b>Net assets</b>	<b>91,633</b>	<b>202,680</b>
<b>Equity</b>		
Units on issue	227,228	227,228
Reserves	43,111	(5,713)
Undistributed (losses)/income	(178,706)	(18,835)
<b>Total equity</b>	<b>91,633</b>	<b>202,680</b>

# Interim Report 2009

## Multiplex European Property Fund

### Corporate Directory

#### Responsible Entity

Brookfield Multiplex Capital Management Limited  
1 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9256 5700  
Facsimile: (02) 9256 5188

#### Directors

Peter Morris  
Brian Motteram  
Robert McCuaig  
Brian Kingston  
Mark Wilson

#### Company Secretary

Neil Olofsson

#### Registered Office

1 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9256 5700  
Facsimile: (02) 9256 5188

#### Custodian

Brookfield Multiplex Funds Management Limited  
1 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9256 5700  
Facsimile: (02) 9256 5188

#### Stock Exchange

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

#### Auditor

KPMG  
10 Shelley Street  
Sydney NSW 2000  
Telephone: (02) 9335 7000  
Facsimile: (02) 9299 7077

