

MATRIX EUROPEAN REAL ESTATE INVESTMENT TRUST LTD

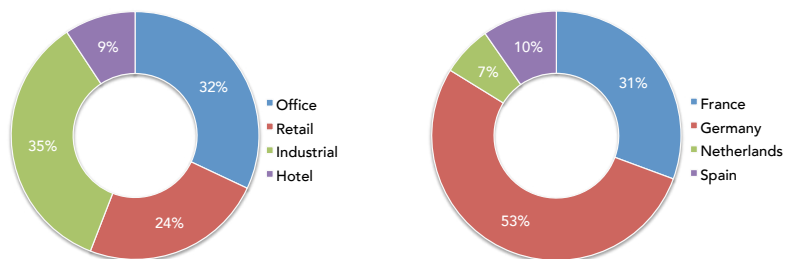
INTERIM MANAGEMENT STATEMENT - SEPTEMBER 2010



PROPERTY PORTFOLIO

The value of the property portfolio as at 30 June 2010 was €385.2 million (31 December 2009: €399.9 million), representing a like-for-like fall of 3.7% for the half year. The next valuation will be carried out as at 31 December 2010.

The valuations have been performed by the independent Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards and show the "Market Value" assuming an asset sale of each property.



In the half-year report we noted that the European investment market as a whole had seen improved transaction volumes over the first six-months of the year. Whilst volumes declined by around 6% in the third quarter, the value of transactions in Q3 is still 24% above the same period in 2009. France and Germany have been the primary beneficiaries of this activity in continental Europe.

The markets remain polarised however and, whilst some yield compression has been experienced, this remains limited to core markets and bond-type investments - secondary markets are still languishing.

We highlighted the ongoing challenges at Europort and noted the potential for rising vacancy levels at the year-end. This remains the case but we are pleased to be able to report that a new letting of two office buildings (representing circa 5% of the estate area) has been completed.

Schenker Automotive, part of the Deutsche Bahn group, has taken a lease for almost five-years over space vacated by Lufthansa at the end of 2009. This is particularly good news as the office space at the mixed use warehouse and office estate is the more challenging element to let. However, as we have also been advised that Nippon Express (circa 8% of the estate) will not be renewing their lease at the year end there will not be an improvement in the overall vacancy rate as a result of the new letting.

At Leiden we have recently agreed a lease extension with Eurotransplant (representing 13% of the property's income) to extend the term certain of their lease until September 2016. The remaining income, from Jacobs Engineering, was extended last year until February 2019.

DIVIDEND

In July 2010 the Company announced that it was to resume dividend payments and on 27 August a payment of 4p per share was made for the half-year to 30 June 2010.

FUND MANAGER

Matrix Property Fund Management (Guernsey) Limited.

KEY FEATURES

Listing Date	4 June 2007
Structure	Closed-ended investment company
Domicile	Guernsey
Listing	London Stock Exchange
Shares in Issue	35.95m
Distribution	Half-yearly
Performance Fee	20% of total shareholder return above 10% hurdle (subject to high watermark starting 31 Dec 2008)
Property Sector	All Commercial
Geographical Region	All Europe
Fund Denomination	Sterling
Latest NAV (30 June 2010)	285p
Share Price at 30 September 2010	106p
Valuations	Half-yearly

CONTACTS

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HEDGING CONTRACTS

The Company uses financial derivatives to hedge its exposure to movements in interest rates and exchange rates. As at 30 September 2010 the value of the interest rate derivatives was a liability of £8.4 million, representing a decrease in the liability of £0.2 million since 30 June 2010.

The value of the Company's foreign-exchange hedging contract, which exchanges €150.0 million for £101.3 million in June 2014 and €5.0 million for £3.7 million on a quarterly basis until June 2014, is a contingent liability of £37.2 million as at 30 September 2010 (comprising £27.9 million for the capital hedge and £9.3 million for the income hedge) compared with a liability of £28.9 million as at 30 June 2010.

GROUP COVENANTS

LOAN-TO-VALUE COVENANTS

As a consequence of the reduction in property values the Group's gearing as at 30 June 2010 had risen to a loan to value ("LTV") ratio of 62.3%, however this remains substantially below the Company's LTV covenant of 75%.

Currently, the Company benefits from a reduced loan margin of 225 bps (from 275 bps) and in order to maintain this in 2011 gearing will have to be reduced at the year-end such that the LTV does not exceed 60%.

The Group's other covenants can be summarised as follows:

- In the event that the LTV is in excess of 65%, surplus operational income will be used to amortise the loan.
- If the LTV exceeds 60%, when properties are sold the debt pay-down required is equal to 120% of the allocated loan for the property sold.
- The loan is subject to an interest cover ratio of 1.30x.

FOREIGN EXCHANGE COVENANTS

The foreign-exchange derivative contract is subject to several financial covenants, which can be summarised as follows:

- the net asset value ("NAV") of the Group (excluding the value of the foreign exchange swap contract) to be greater than twice the liability under the foreign exchange swap contract; and
- the NAV to be at least £75 million in any event.

On the basis of currently available unaudited information the Company is in compliance with the above covenants.

PROPERTY PORTFOLIO & GROSS ASSET VALUES

COUNTRY	LOCATION	USE	€0 < 25M	€25 < 50M	€50 < 75M	€75M+
France	St Etienne	Office			■	
	Nice	Office		■		
	Lyon	Industrial	■			
Germany	Frankfurt	Industrial				■
	Düren	Retail			■	
	Düsseldorf	Hotel		■		
	Kaiserslautern	Retail		■		
	Celle	Retail	■			
Netherlands	Leiden	Office		■		
Spain	Valladolid	Industrial	■			
	Madrid	Industrial	■			
	Cordoba	Industrial	■			
	Murcia	Industrial	■			

DÜREN



EUROPORT



LEIDEN



VALLADOLID



SAINT-ETIENNE



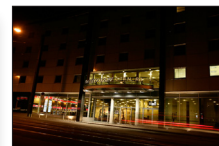
NICE



MURCIA



DÜSSELDORF



KAISERSLAUTERN



CORDOBA



MADRID



LYON



CELLE

