

MATRIX EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

Presentation to Investors and Analysts



September 2008



MATRIX EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

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MATRIX EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

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The logo for Matrix European Real Estate Investment Trust Limited, featuring the word "MATRIX" in a serif font, enclosed in a rectangular border.

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Company Strategy

- To strengthen the balance sheet through selective asset disposals
- Share buyback programme from available cash, on opportunistic basis, subject to forthcoming EGM
- Maintain dividend at 10.125p per share per quarter for the November 2008 payment; policy to be reviewed at year-end
- Active management to add value in difficult market conditions
- Consider internalisation of part of MPFM management team

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Company Highlights

- June portfolio value of €798.5 million, down 1.8% q-o-q and 2.2% since IPO
 - Ungearred gross yield of 6.7%, net income yield 6.4% - exclusive of purchaser's costs
- Gross income up 2.3% from €51.4 million at IPO to €52.5 million (Jun-08), like-for-like, excluding Montpellier
- Secure income - weighted average unexpired lease length of 7.4 years
- Debt - Current overall LTV of 61.5% and average LTV covenants of 73.5%
- Current margins of 83.3 bps (IZD) and 100-125 bps (HBOS)
- NAV – as at June 2008: Adjusted NAV 660 pence per share, down 1.0% since December 2007 and up 2.0% since IPO

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Financial Highlights

	6 months to June 2008 £'000	12 months to Dec 2007 £'000
Rental income	24,840	32,829
Total return	4,153	11,548
Valuation of investment property	616,572	582,657
Goodwill	24,011	22,364
Bank loans and borrowings	387,185	366,983
Cash and cash equivalents	28,784	33,984
Net asset value	248,249	251,898
NAV per share (pence) *	644	653
Adjusted NAV per share (pence) *	660	667
Gearing**	61%	59%

* Cum dividend

** Debt / (debt plus equity)

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Operational Highlights

Successful portfolio management

- Vacancy rate by area reduced from 2.9% at IPO to 1.3% (Jun-08)
- IZD now 100% let (88.5% at IPO), WAULT increased from 5.3 to 6.6 years
- Lease extension with La Poste at Lyon under negotiation
- New national fashion multiples, Esprit and Brax, at the StadtCentre Duren
- Office development in Montpellier completed in January 2008, fully let to Groupama. Planning obtained and construction commenced on second building

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Debt Facilities

- Current overall LTV of 61.5% and average LTV covenants of 73.5%
 - Can sustain average valuation falls of around 15% before breach (c. 1.2 % yield shift).
 - Around 17% for HBOS facilities (over 140 bps yield shift)
 - Around 14% for IZD (over 90 bps yield shift)
 - Cash sweep on some HBOS loans above 65% LTV - Panrico, Leiden, St Etienne (partial)
 - Cash presently available to pay down loans to support LTV
 - Cash sweep on IZD above 65% LTV (greater than 10% value decline)
- Loan facilities expire Dec 2009 (15.8% of total debt) to Dec 2012
- Interest rate swaps
 - For c. 90% expire through Oct 2010 – Nov 2011
 - Average swap cost of 3.8% p.a.
- Current margins of 83.3 bps IZD and 100-125 bps HBOS
 - HBOS Margin 125 bps above 65% LTV

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Appendix I – The Asset Portfolio



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Appendix I – The Asset Portfolio

Property Valuations – Gross Asset Valuations (€)

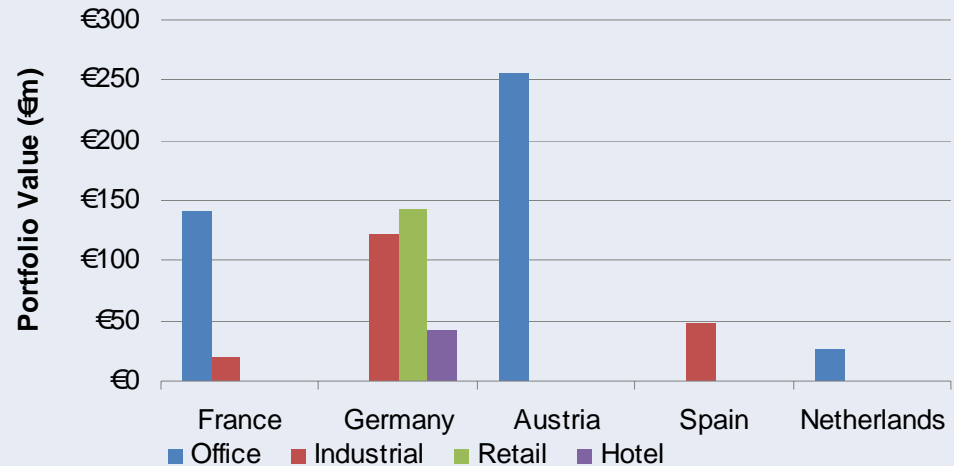
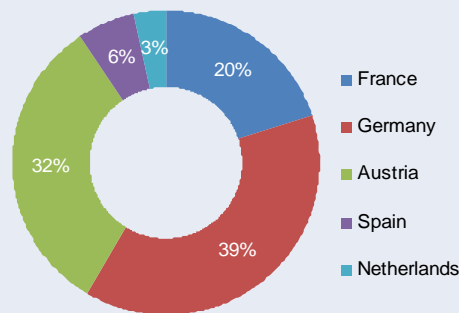
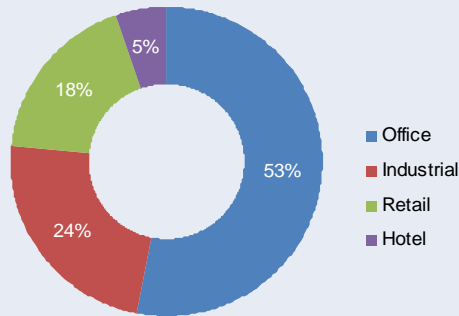
Property	Country	Use	Jun-07	Mar-08	Jun-08
IZD	Austria	Office	260,000,000	261,000,000	256,000,000
Europort	Germany	Industrial	125,000,000	125,300,000	121,300,000
St Etienne	France	Office	92,500,000	87,100,000	86,000,000
Duren	Germany	Retail	65,250,000	65,760,000	65,760,000
Dusseldorf	Germany	Hotel	44,150,000	45,350,000	43,000,000
Nice	France	Office	41,000,000	39,300,000	38,750,000
Kaiserslautern	Germany	Retail	31,750,000	32,200,000	32,200,000
Munster	Germany	Retail	31,750,000	31,900,000	31,900,000
Leiden	Netherlands	Office	28,550,000	28,350,000	26,860,000
Lyon	France	Industrial	19,600,000	19,600,000	19,600,000
Valladolid	Spain	Industrial	20,500,000	18,880,000	18,880,000
Montpellier	France	Office	-	16,280,000	16,000,000
Madrid	Spain	Industrial	17,200,000	15,750,000	15,750,000
Celle	Germany	Retail	11,500,000	12,700,000	12,700,000
Cordoba	Spain	Industrial	7,700,000	7,550,000	7,550,000
Murcia	Spain	Industrial	6,500,000	6,275,000	6,275,000
Total			802,950,000	813,295,000	798,525,000

Values have fallen 1.8% over the past quarter and 2.2% since IPO.

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Appendix I – The Asset Portfolio Property Portfolio



Portfolio has:

- Weighted average unexpired lease length of 7.4 years
- Ungeared gross yield of 6.7%

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Appendix I – The Asset Portfolio

Overall Weighted Average Unexpired Lease Term of 7.4 years

Tenant	Property	% Total
Casino	St Etienne	11.6%
Panrico	Spain	6.6%
IBM	Nice	6.2%
Schenker	Europort	5.4%
NH Hotels	Düsseldorf	5.3%
OBB	IZD Vienna	5.2%
Jacobs Nederland B.V.	Leiden	3.7%
Ernst & Young	IZD Vienna	3.6%
Baxter AG	IZD Vienna	3.4%
Holmes Place	IZD Vienna	3.3%
Saturn	Münster & Düren	2.9%
La Poste	Lyon	2.9%
Groupama	Montpellier	2.0%
Borealis	IZD Vienna	1.9%
Colt	Europort	1.9%
H&M	Düren & Kaiserslautern	1.8%
USA	IZD Vienna	1.7%
Exel	Europort	1.7%
Peek & Cloppenburg	Kaiserslautern	1.6%
Real	Celle	1.5%
Total		74.2%

← 50% of portfolio income reached

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Appendix I – The Asset Portfolio

Vienna, IZD Tower

- IZD now 100% let (88.5% at IPO)
- WAULT increased from 5.3 to 6.6 years
- This has been achieved by recent asset management initiatives:
 - Verbund, Austria's leading electricity company, has taken a new lease of over eight years for a new head office
 - A new 7.5 year lease has been taken by Borealis, a leading designer and manufacturer of plastics. Borealis occupy the space for their head office function
 - ÖBB, the Austrian state railway company, has signed a new 6 year lease for part of the 10th floor and renewed and extended their existing leases for over 6 years
 - Stora Enzo, a paper and packaging company, has renewed its lease for a further 5 years
 - Baxter, a global healthcare company, has signed a 3 year extension to its current lease and signed a new 5 year lease for part of the 12th floor



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Appendix I – The Asset Portfolio

Lyon

- Just under 5 years remaining on the current lease with La Poste
- La Poste's expanding operations require a building extension
- MEREIT has agreed to undertake these works in return for an extended lease term and increased rent
- A planning application has been submitted
- Lease terms under negotiation
- Value enhanced through increased income and capital value



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Appendix II - Operations and Financial Reporting



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Appendix II - Operations and Financial Reporting Balance Sheet

	June 2008 £'000	December 2007 £'000
Investment and development properties	616,572	582,657
Goodwill	24,011	22,364
Trade and other receivables	16,200	17,723
Interest rate derivative contracts	13,881	8,177
Cash and cash equivalents	28,784	33,984
Total assets	699,448	664,905
Trade and other payables	(18,015)	(16,216)
Investment in Dynamic joint venture	(536)	(468)
Exchange rate derivative contracts	(24,279)	(10,265)
Bank loans	(387,185)	(366,983)
Government grants	(1,177)	(1,145)
Deferred tax	(20,007)	(17,930)
Total liabilities	(451,199)	(413,007)
Net assets	248,249	251,898



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Appendix II - Operations and Financial Reporting

Income Statement

	6 months to June 2008 £'000	12 months to December 2007 £'000
Rental income	24,840	32,829
Property operating expenditure	(4,243)	(5,854)
Net rental income	20,597	26,975
Administrative expenses	(4,472)	(14,376)
Valuation movement on investment properties	(11,013)	(3,091)
Loss before financing activities	5,112	9,508
Finance Income	449	856
Finance costs	(9,904)	(16,754)
Valuation movement in derivative contracts	(8,666)	(7,182)
Share of the loss of Dynamic joint venture	(44)	(538)
Valuation in fair value of participating shares	-	1,479
Loss before tax	(13,053)	(12,631)
Tax	(1,202)	1,486
Loss for the financial period	(14,255)	(11,145)



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Appendix II - Operations and Financial Reporting Income Statement – Revenue/Capital analysis

	Revenue £'000	Capital £'000	Total £'000
Rental income	24,840	-	24,840
Property operating expenditure	(4,243)	-	(4,243)
Net rental income	20,597	-	20,597
Administrative expenses	(2,468)	-	(2,468)
Management fee*	(1,336)	(668)	(2,004)
Valuation movement on investment properties	-	(11,013)	(11,013)
Profit/ (Loss) before financing activities	16,793	(11,681)	5,112
Finance Income	449	-	449
Finance costs	(9,662)	(242)	(9,904)
Valuation movement in derivative contracts	-	(8,666)	(8,666)
Share of the loss of Dynamic joint venture	-	(44)	(44)
Profit/ (Loss) before tax	7,580	(20,633)	(13,053)
Tax	(654)	(548)	(1,202)
Profit/ (Loss) for the financial period	6,926	(21,181)	(14,255)

Dividend Cover

89%

* A third of the management fee is charged to capital

** Finance costs charged to capital relate to loan fee amortisation

*** Tax charged to capital relates to deferred tax

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Appendix II - Operations and Financial Reporting

Net Asset Value

	30 June 2008 £'000	31 December 2007 £'000
Net Asset Value	247,990	251,609
Adjustments:		
Deferred tax liability	20,007	17,930
Matrix Vienna SPV sale less cost provision	10,285	9,763
Goodwill	(24,011)	(22,364)
Adjusted Net Asset Value	254,271	256,938
Unadjusted NAV per share (pence)*	644	653
Adjusted NAV per share (pence)*	660	667
Adjusted NAV per share (pence)**	649	656

* Cum dividend

** Ex dividend

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Appendix II - Operations and Financial Reporting

Movement in Property Portfolio

	December 2007 £'000	Acquisitions in period £'000	Movement in valuation £'000	Foreign exchange £'000	June 2008 £'000
IZD Vienna	177,226	-	(2,174)	13,058	188,110
Europort	90,487	-	(3,170)	6,671	93,988
St. Etienne	64,181	-	(872)	4,729	68,038
Duren	48,456	-	-	3,569	52,025
Panrico	36,549	-	(907)	2,693	38,335
Dusseldorf	33,417	-	(1,862)	2,464	34,019
La Gaude	28,959	-	(436)	2,134	30,657
Kaiserslautern	23,727	-	-	1,748	25,475
Munster	23,506	-	-	1,731	25,237
Leiden	21,038	-	(1,339)	1,551	21,250
Montpellier	11,311	1,998	(253)	829	13,885
Lyon	14,443	-	-	1,063	15,506
Celle	9,358	-	-	689	10,047
TOTAL	582,658	1,998	(11,013)	42,929	616,572



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Appendix II - Operations and Financial Reporting

Foreign exchange hedging profile

- Substantial income and partial capital hedges, until June 2014
- €150 million for GBP capital hedge
- Income hedge of €5 million per quarter for £3.7 million per quarter
- Negative impact on NAV by £14 million in the six months to June 2008.

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Appendix III – Governance and Management



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Appendix III – Governance and Management Benefits of Internalisation

The Board has discussed with Matrix the internalisation of the existing MEREIT management team

- Full alignment of interests
- Accretive to earnings and removal of future fee liabilities
- Potential to improve share liquidity
- Allows MEREIT to create new earnings streams and boost its return on equity
 - Syndication of existing assets to third parties
 - Development of fund management capabilities
- Facilitates corporate activity

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Appendix III – Governance and Management

Existing Investment Management Agreement - Summary Terms

- **Appointment** – Terminable on 36 months' notice (from January 2009)
- **Management Fee** – 60bps on GAV
- **Acquisition fee** – 1% of acquisition cost
- **Insurance Commissions** – Manager entitled to 50%
- **Accounting fee** – Market rates
- **Performance Fee** – 20% of excess TSR (based on IPO price) with “high water mark”

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Appendix III – Governance and Management

The Board of Directors

Unique amongst its peer group, the Company is managed by a fully independent board of directors with no representation from the Manager or the Investment Adviser.

The existing fully independent Non-Executive Directors

Crispian Collins, Chairman

Over 30 years' experience of managing investments for institutional clients in the public and private sectors. Formerly Vice Chairman of UBS Global Asset Management and a member of the Group Managing Board of UBS AG

Robert Tsenin

Until 1997 Mr Tsenin was Managing Director of Goldman Sachs Australia Limited and between 1997 and 2003 was Finance Director of Lend Lease Corporation

Stephen Coe

Mr Coe has previously been a director with Investec in Guernsey and was formerly Managing Director. Prior to that was a director at Bachmann Group and a Chartered Accountant

During the year the Board was strengthened with the addition of Jan van der Vlist



Mr van der Vlist is currently Managing Director of NIBC Bank N.V., a leading Dutch merchant bank focusing on the mid-market segment in Northwest Europe. He is head of Investment Management, a strategic business unit of the bank that focuses on Private Equity, Real Estate and Infrastructure.

Previously, Mr van der Vlist was Director of Structured Investments of PGGM, the second largest pension fund in the Netherlands. Prior to that, he was Director of Real Estate, as well as Deputy Director of Real Estate and head of investments in real estate funds, of PGGM and also served PGGM as Chief Financial Officer of Investments. Before joining PGGM in 1982, Mr. van der Vlist headed the accounting department and real estate management department of a subsidiary of Verenigde Bedrijven Bredero N.V., which was a major international real estate development and construction company.

His former board positions and membership of Advisory Committees include a board seat with Equity Office Properties Trust, the largest US office REIT, a board seat with Société Foncière des Pimonts, a French office fund, a board seat with Amvest, a Dutch private real estate company, a membership of the managing board of the European Public Real Estate Association (EPRA) and a membership of the Advisory Board of Real Estate Publishers.

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Appendix III – Governance and Management

The Investment Adviser's Team

The Investment Adviser's team comprises a team of professionals with over 90 years' experience in real estate investment across the UK and Europe.

The team includes chartered surveyors, accountants, lawyers and real estate finance specialists.

Since the IPO the Investment Adviser's team was expanded with the addition of Scott Fawcett as Fund Manager and Gordon McKie as CFO for MEREIT



Mr Fawcett moved to MPFM in 2007 to act as Fund Manager for MEREIT. He joined after working for 14 years within the investment team at Drivers Jonas where he was the Partner in charge of in-house fund management. His role encompassed advising on investment strategy, development funding, acquisitions, disposals and asset management initiatives for a variety of clients including Christ's Hospital, British Land, Morgan Stanley and the Property Income Trust for Charities. He is a qualified Chartered Surveyor.



Mr McKie joined MPFM in July 2007 as European Funds Chief Financial Officer. Mr McKie joined from 3i where he was involved with the Group finance and accounts. Previously, he spent 11 years at PricewaterhouseCoopers where he qualified as a Chartered Accountant, including five years within their real estate group.

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