



MAS REAL ESTATE INC

Company Profile

31 August 2016

COMPANY PROFILE

PROPERTY INVESTOR, DEVELOPER AND OPERATOR

MAS Real Estate Inc (“MAS”) is a commercial property investor, developer and operator listed on the main board of the Johannesburg Stock Exchange (“JSE”) and the Euro-MTF market of the Bourse de Luxembourg.

BUSINESS STRATEGY

MAS’ strategy is to generate sustainable and growing distributable earnings per share by acquiring, developing and operating retail, office, industrial and hotel assets in Western Europe and more recently in Central and Eastern Europe. Where exceptional opportunities arise, the group will embark on mixed-use or residential developments with the view to either generate recurring income, such as campuses leased to universities, or capital gains. The company aims to distribute all of its distributable earnings on a semi-annual basis, with distribution of capital and other profits at the discretion of the directors.

MANAGEMENT

MAS is internally managed, combining investment, development and asset management skills. Developments are undertaken by teaming up with strong developers that have intimate knowledge of the local markets and by agreeing terms that lead to a strong alignment of interests.

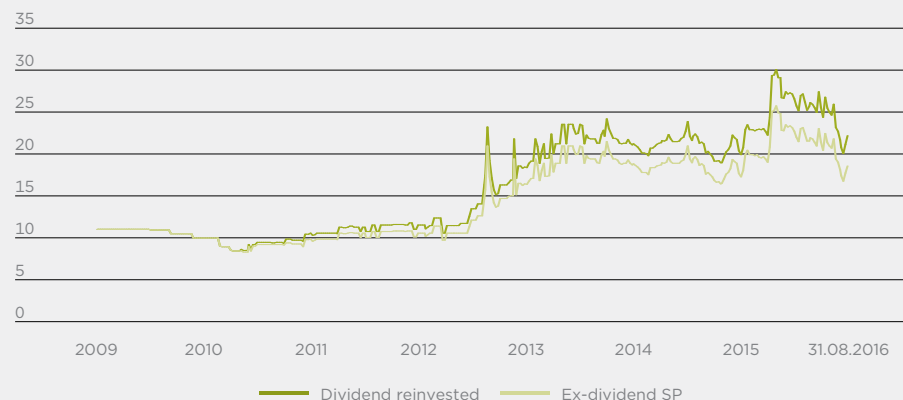
FUNDING

MAS is targeting an aggregate portfolio LTV of 40–50%. Long-term debt funding is preferred and interest rates are managed through the group’s hedging strategy. Developments are currently funded through equity and refinanced at completion.

LONG-TERM INCOME FROM STRONG COVENANTS

MAS has assembled a high quality portfolio of commercial property and developments across Western Europe and is currently expanding into Central and Eastern Europe in joint venture with Prime Kapital. At 31 August 2016 the portfolio had an outstanding weighted average lease term of 12.24 years, occupied by tenants with strong corporate covenants.

SHARE PRICE (ZAR)



PORTFOLIO BY VALUE



INCOME GENERATING	€309.1m
DEVELOPMENTS	€24.9m
LAND BANK	€44.1m

GEOGRAPHICAL PROFILE BY PASSING RENT



GERMANY	€16.77m
UK	€5.10m
SWITZERLAND	€1.20m

SEGMENT PROFILE BY PASSING RENT



RETAIL	€15.77m
INDUSTRIAL/LOGISTICS	€4.12m
HOTEL	€2.18m

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PORTFOLIO OVERVIEW

HISTORY

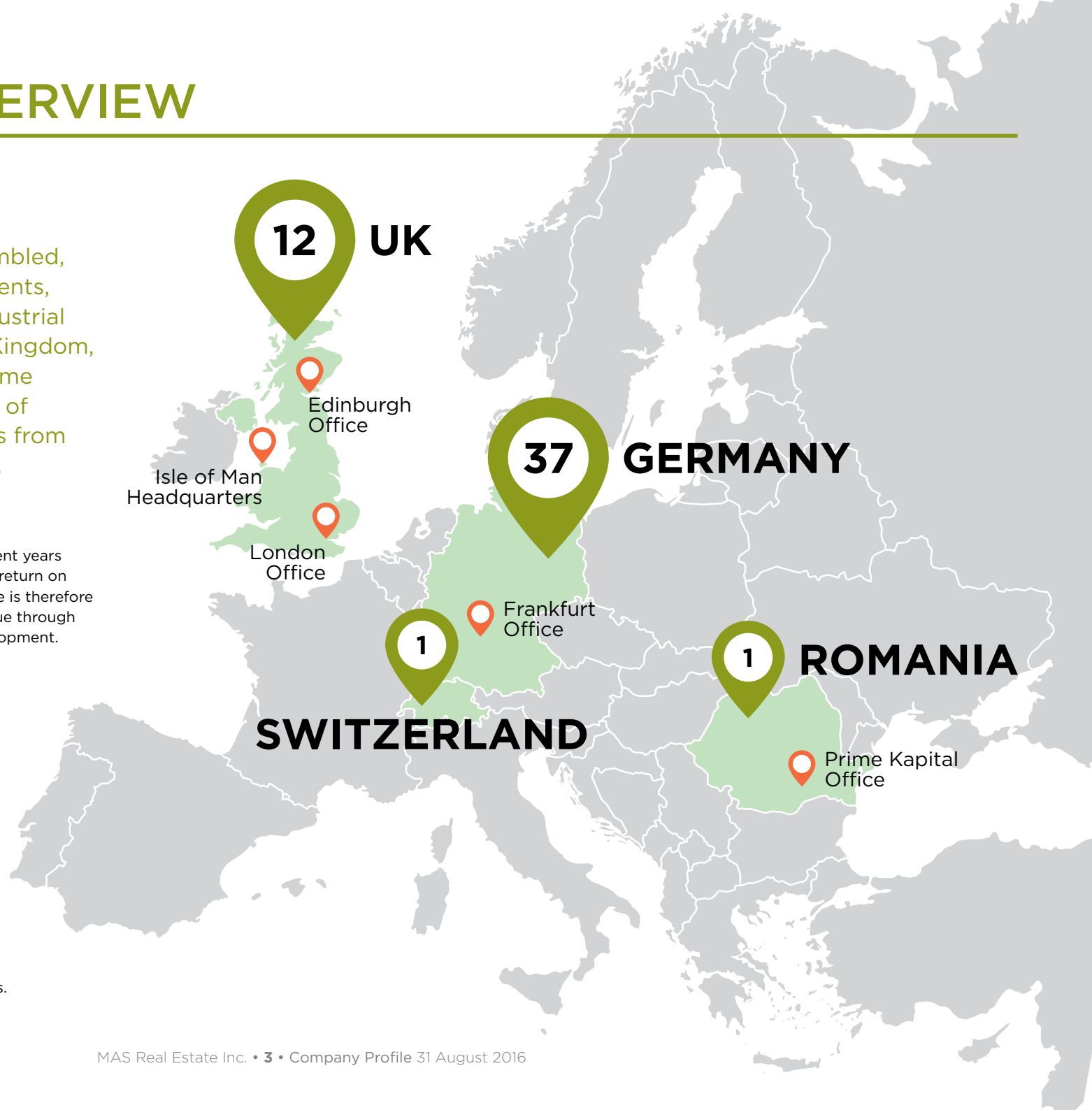
Established in 2008, MAS has assembled, through acquisitions and developments, a high quality portfolio of retail, industrial and hotel properties in the United Kingdom, Germany and Switzerland. The income generating properties have a WALT of 12.24 years and their income derives from tenants with exceptional covenants.

OUTLOOK

Asset prices in western Europe have increased in recent years and acquisition opportunities that offer an attractive return on equity are harder to find. Our focus in western Europe is therefore now on opportunities that can deliver substantial value through active asset management, development and re-development.

Although assets in central and eastern European ("CEE") markets have also increased in price, attractive opportunities are still available that are backed by a combination of relatively high initial acquisition yields, substantial growth prospects and attractive debt terms. Even more appealing is the development market, which is supported by rapidly expanding purchasing power and, in some cases, sub-optimally designed or undersized existing assets which are ripe for re-development or displacement.

Accordingly, we have embarked upon expansion into the growing economies of CEE. To facilitate the expansion, we have partnered with Prime Kapital, a management team with exceptional development, investment and financing experience in these markets.










PROPERTY SCHEDULE

August 2016








	Location	Asset type	Owner-ship	Completion date	Currency	Number of assets	GLA	Occupancy	WALT 31.08.2016	Book value	Passing rent/ Dev. ERV
							m²	%	years	€m	€m
INCOME-GENERATING PORTFOLIO						41	282,882	97.5%	12.24	309.14	22.07
Edeka portfolio 2*	Germany	Retail	100%	30.08.2016	EUR	20	51,109	100%	15.00	56.01	3.85
Heppenheim park	Germany	Retail	100%	2015	EUR	1	24,644	86%	8.36	27.90	2.29
Toom portfolio	Germany	Retail	100%	2015	EUR	3	25,291	100%	12.66	29.04	2.20
Edeka portfolio 1	Germany	Retail	100%	2016	EUR	3	20,920	100%	14.33	28.98	2.00
Bruchsal	Germany	Retail	100%	2015	EUR	1	7,103	100%	5.70	21.70	1.48
Gotha	Germany	Retail	100%	2015	EUR	1	9,442	100%	9.83	12.20	0.99
Munich*	Germany	Retail	100%	12.08.2016	EUR	1	13,090	100%	2.50	10.50	0.89
Lehrte	Germany	Retail	100%	2016	EUR	1	9,203	100%	10.44	10.40	0.76
Donaueschingen	Germany	Retail	100%	2015	EUR	1	8,235	100%	12.25	9.60	0.72
Aldi portfolio	Germany	Retail	100%	2010	EUR	5	6,759	100%	13.25	8.94	0.59
Whitbread and Arches	UK	Hotel	100%	2016	GBP	1	20,015	85%	27.47	41.80	2.18
Chippenham	UK	Industrial	100%	2015	GBP	1	62,897	99%	7.23	24.41	2.08
Braehead	UK	Industrial	100%	2013	GBP	1	18,476	100%	8.45	8.17	0.84
Zurich	Switzerland	Logistics	100%	2010	CHF	1	5,699	100%	8.08	19.49	1.20
DEVELOPMENTS						4				24.91	7.47
New Waverley – Adagio and retail	UK	Hotel	100%	12.2016	GBP	1				18.49	2.03
New Waverley – Phase 2	UK	Office	100%	2019	GBP	1				4.81	3.00
Langley Park	UK	Hotel	100%	2018	GBP	1				0.51	0.44
CEE developments (MAS’ share)	Romania	Retail	40%	2017-2018	EUR	1				1.10	2.00
LAND BANK						6				44.08	
North Street Quarter	UK	Residential				1				19.82	
Langley Park	UK	Residential				2				17.40	
New Waverley – Phase 2	UK	Residential				3				6.86	
PROPERTY PORTFOLIO						51	282,882			378.13	29.54

*Acquired after 30.06.2016 year-end.

INCOME-GENERATING PROPERTY

Income-generating portfolio	Jurisdiction	Location	Passing rent	% of total		Description
EDEKA PORTFOLIO 2	Germany	Multiple locations across Germany	€3.85m	17.4%		A portfolio of 20 retail units let on a long-term basis to Edeka MIHA AG. The Edeka Group is the largest German supermarket corporation, holding a market share of approximately 26% in Germany and operating approximately 4,100 stores under the Edeka brand.
HEPPENHEIM PARK	Germany	Heppenheim	€2.29m	10.4%		A retail park let on a long-term basis to Bauhaus and Media Markt, part of the of Metro Group. The property has a small office component, partially let to the local government.
TOOM PORTFOLIO	Germany	Frankenthal, Gummersbach, Nordhasuen	€2.20m	10.0%		A portfolio of three retail warehouses let on a long-term basis to DIY operator Toom, part of the REWE Group, a large German retail and tourism co-operative.
EDEKA PORTFOLIO 1	Germany	Multiple locations across Germany	€2.00m	9.1%		A portfolio of 3 retail units let on a long-term basis to Edeka Handelsgesellschaft Südwest GmbH. The Edeka Group is the largest German supermarket corporation, holding a market share of approximately 26% in Germany and operating approximately 4,100 stores under the Edeka brand.
BRUCHSAL	Germany	Bruchsal	€1.48m	6.7%		A retail scheme located in the town centre of Bruchsal in Southern Germany. The property is let to leading national and international retailers, including H&M, REWE and Müller.
GOTHA	Germany	Gotha	€0.99m	4.5%		A retail unit located in a well established trading area and let on a long-term basis to Real, a leading hypermarket chain, part of the Metro Group.
MUNICH	Germany	Munich	€0.89m	4.0%		An industrial property located in Munich, Germany. The property is let to Volkswagen, the leading German auto manufacturer.

INCOME-GENERATING PROPERTY (continued)

Income-generating portfolio	Jurisdiction	Location	Passing rent	% of total		Description
LEHRTE	Germany	Lehrte	€0.76m	3.4%		A stand-alone retail warehouse let on a long-term basis to OBI, the largest DIY operator in Europe, part of the Tengelmann group.
DONAUESCHINGEN	Germany	Donaueschingen	€0.72m	3.3%		A stand-alone retail warehouse let on a long-term basis to Bauhaus, a pan-European DIY franchise with approximately 250 stores in over 20 countries.
ALDI PORTFOLIO	Germany	Parsberg, Kuppenheim, Herbolzheim, Stauf, Rottenburg-Ergenzingen	€0.59m	2.7%		A portfolio of five stand-alone properties let on a long-term basis to Aldi, a leading global discount supermarket chain with approximately 10,000 stores in 18 countries.
NEW WAVERLEY Whitbread and Arches	UK	Edinburgh	€2.18m	9.9%		A mixed-use project developed by MAS in the heart of Edinburgh, Scotland. Phase 1 of the project consists of three hotels and associated retail units of which two hotels have been completed and are income-generating. The two hotels are let on a long-term basis to Whitbread Group plc, a FTSE 100 company and operated under the brands Premier Inn and the Hub Premier Inn. The third hotel is expected to be completed by the end of 2016 and is pre-let to Adagio, which is part of the Accor Group, one of the largest hotel chains in the world.
CHIPPENHAM	UK	Chippenham	€2.08m	9.4%		A 117,000 sqm industrial warehouse and office park more than half of which is occupied by Siemens, the largest engineering company in Europe, with the balance being let to other strong tenants. The property has an excellent location close to the town centre, adjacent to the town's train station.
BRAEHEAD	UK	Glasgow	€0.84m	3.8%		An industrial warehouse let to Howden Group, a subsidiary of the Colfax Corporation, a NYSE listed industrial solutions provider. The property has good development potential due to its close proximity to the Braehead shopping centre near Glasgow.
ZURICH	Switzerland	Buchs	€1.20m	5.4%		A logistics warehouse located in proximity to Zurich and is let on a long-term basis to DPD, Europe's second largest parcel delivery network, part of GeoPost.

GEARING PROGRAMME FOR CURRENT ASSETS

Target portfolio LTV	40-50%
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DRAWN/COMMITTED

Debt at 31.08.2016	€98.9 million
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Weighted cost of debt	2.5%
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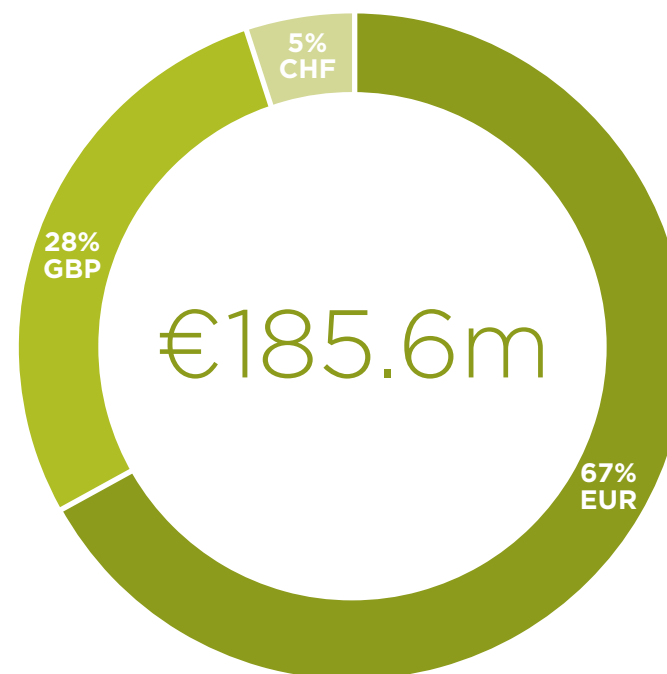
Weighted average term	9.2 years
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NEGOTIATED

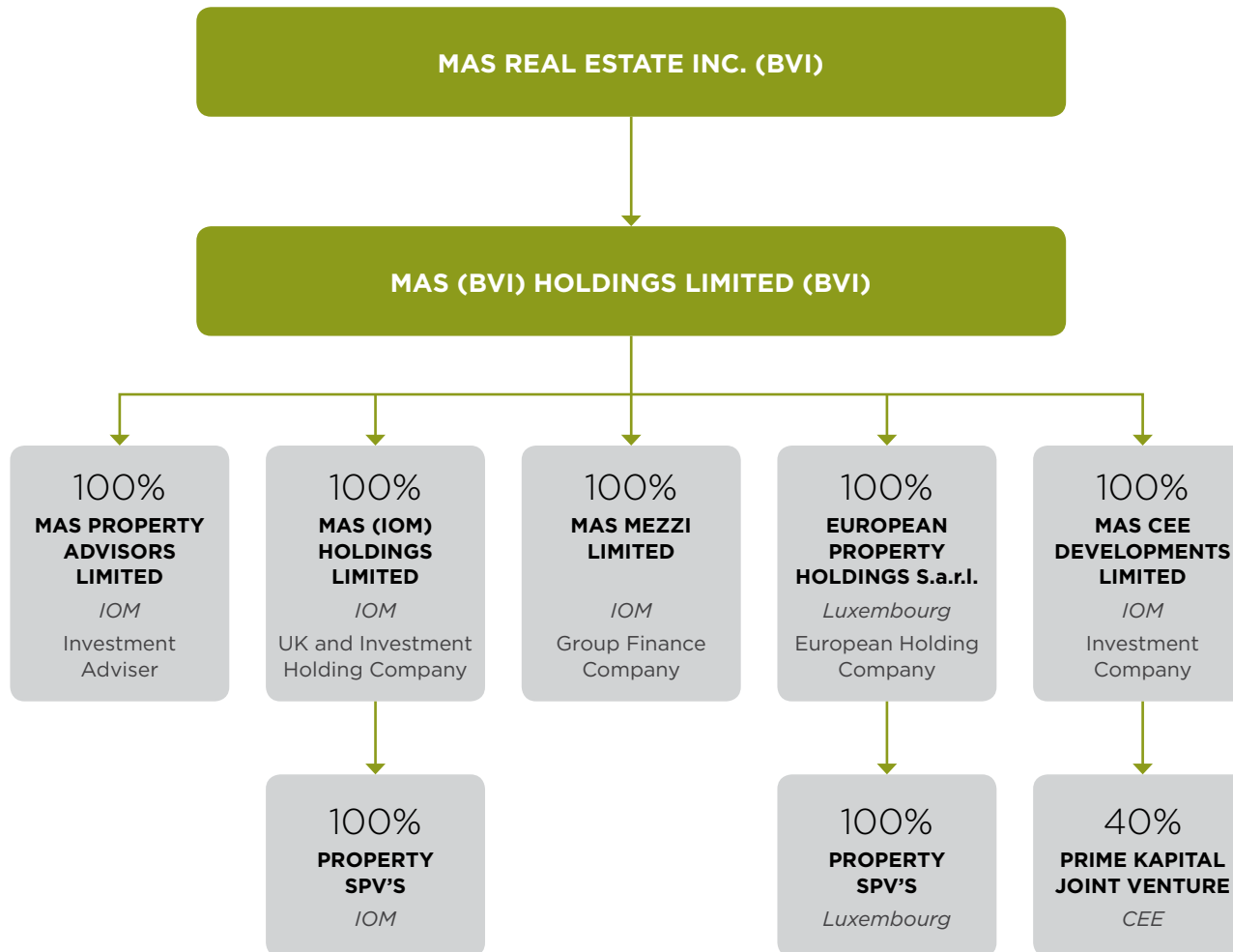
Debt at 31.08.2016	€86.7 million
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Weighted cost of debt	under 2.5%
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DRAWN/COMMITTED AND NEGOTIATED DEBT BY CURRENCY



GROUP STRUCTURE



TOP 10 SHAREHOLDERS (26 August 2016)

Attacq	38.5%
Argosy Capital	14.3%
Sanlam Investment Management	3.6%
STANLIB Asset Management	2.5%
Coronation Fund Managers	2.5%
Old Mutual Investment Group	1.8%
Alliance Bernstein	1.6%
Prime Kapital and associates	1.5%
Sesfikile Capital	1.5%
Public Investment Corporation	1.3%
Total	69.1%

EXECUTIVE MANAGEMENT

MAS provides access to a specialist management team, with knowledge and experience across the European markets. We have resources on the ground with staff and associate offices in the Isle of Man, London, Edinburgh, Frankfurt and Bucharest (through our JV partner, Prime Kapital). Senior management is well aligned with the company and its shareholders by owning stakes in the business that represent a significant portion of their personal wealth, as well as through a remuneration structure that balances short and long term objectives.



Lukas Nakos, CEO

BBus Sc

Lukas is a co-founder of the business and has served as CEO since the establishment of the group. He is experienced in setting up and managing European real estate portfolios and has been involved in the European real estate markets since 2002. Lukas is based in the Isle of Man.



Malcolm Levy, CFO

MCom, MBA (Oxon), CA (SA), CFA

Malcolm is a co-founder of the business and has served as CFO since the establishment of the group. He was previously an equities fund manager and investment analyst in London. Malcolm is based in the Isle of Man.



Jonathan Knight, CIO

BSc (Hons), MRICS

Jonathan joined the group as CIO in 2014. Jonathan has over 25 years experience in the real estate industry, most recently as a director at ING Bank in London and Amsterdam, working on various European and global real estate projects. Jonathan is based in London.

NON-EXECUTIVE DIRECTORS



Ron Spencer

C.Dir

Ron is an independent non-executive director and the chairman of MAS. He was managing director of Merrill Lynch Investment Managers Holdings (IOM) Limited, and is now the chair of the Isle of Man Gambling Supervision Commission. Ron is based in the Isle of Man.



Pierre Goosen

B.Com (Law), LLB, MBA

Pierre is a non-executive director. He is managing director of Argosy Capital, a European based private equity and venture capital investment business. Prior to joining Argosy, Pierre worked at two highly regarded international law firms practising as a commercial, private equity and funds lawyer. Pierre is based in the Isle of Man.



Gideon Oosthuizen

B.Eng Mech

Gideon is an independent non-executive director of MAS. He heads up Atterbury Europe, and is an executive director of the Atterbury Property Group, a leading South African real estate development and investment group with assets exceeding \$1.5 billion. Gideon is based in South Africa.



Morné Wilken

B.Eng (Hons) Industrial

Morné is a non-executive director of MAS. He is the CEO of Attacq Limited and has extensive experience in property development, investment, finance and corporate restructuring. Morné is based in South Africa.



Jaco Jansen

B.Com (Hons), CA (SA)

Jaco is an independent non-executive director of MAS. Previously Jaco was the head of the investment services division at a global wealth advisory and administration business managing in excess of \$500 million for private clients and advising on a multi-asset class basis to institutional clients with \$2.3 billion of assets. Jaco is based in the Isle of Man.

MANAGEMENT ACCOUNTS › FINANCIAL POSITION

As at 30 June 2016

	As at 30 Jun 2016	As at 30 Jun 2015
	€	€
Investment property	311,613,772	248,538,806
Income-generating property	242,625,172	164,390,518
Development property	24,907,797	44,335,117
Land bank	44,080,803	39,813,171
Financial investments	51,614,068	82,173,737
Goodwill	25,262,818	29,351,139
Deferred taxation asset	721,292	737,015
Trade and other receivables	11,313,808	4,527,803
Other assets	241,083	15,136
Cash and cash equivalents	66,946,902	45,111,775
Total assets	467,713,743	410,455,411
Shareholders' equity	400,844,952	353,140,598
Interest bearing borrowings	44,578,595	15,747,889
Financial instruments	12,543,033	35,627,918
Deferred taxation liability	1,242,741	1,143,646
Trade and other payables	8,405,586	4,795,360
Other liabilities	98,836	-
Total liabilities	66,868,791	57,314,813
Total shareholders' equity and liabilities	467,713,743	410,455,411
Actual number of ordinary shares in issue	348,625,219	291,787,889
NAV per share (euro cents)	115.0	121.0
Adjusted NAV per share (euro cents)*	115.1	121.2

*Net asset value per share as adjusted for deferred tax

MANAGEMENT ACCOUNTS › INCOME STATEMENT

For the year ended 30 June 2016

	Year ended 30 Jun 2016	Year ended 30 Jun 2015
	€	€
Rental income	14,203,699	8,733,519
Net service charges and property operating expenses	(1,989,426)	(2,815,813)
Service charge income and other recoveries	2,047,322	589,637
Service charges and other property operating expenses	(4,036,748)	(3,405,450)
Net rental income	12,214,273	5,917,706
Other income	1,717,829	-
Corporate expenses	(3,203,472)	(1,767,154)
Net operating income	10,728,630	4,150,552
Net finance costs	(355,990)	(576,698)
Finance income	433,132	4,676
Finance costs	(817,928)	(581,374)
Interest capitalised on development property	28,806	-
Current taxation	(684,749)	(371,447)
Direct investment result	9,687,891	3,202,407
Fair value adjustments	6,431,719	27,877,364
Investment expenses	(2,202,144)	(537,417)
Other income	637,552	-
Currency differences	(12,913,210)	17,660,295
Deferred taxation	(143,776)	272,259
Indirect investment result	(8,189,859)	45,272,501
IFRS net profit (direct plus indirect result)	1,498,032	48,474,908

DISTRIBUTABLE EARNINGS

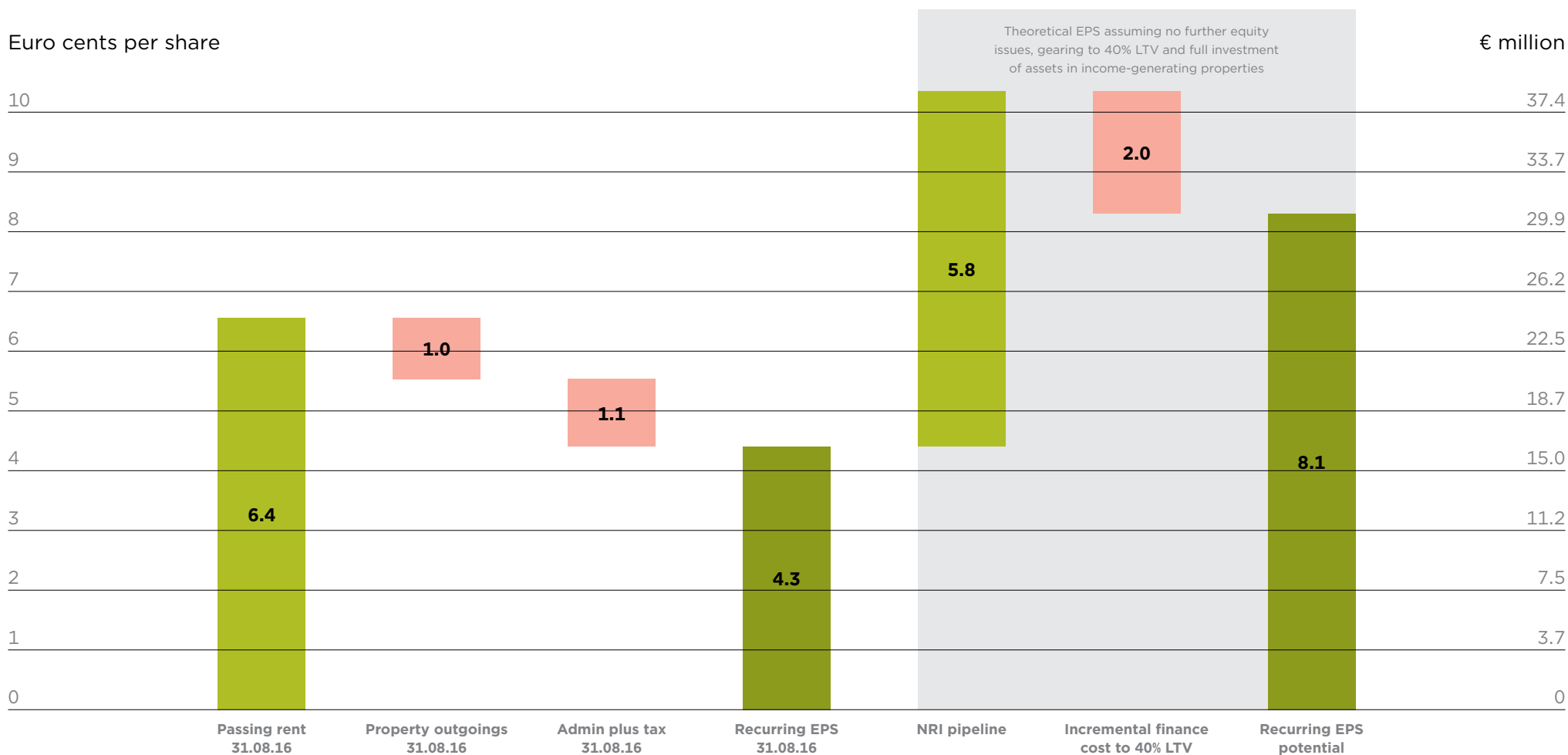
For the year ended 30 June 2016

	Year ended 30 Jun 2016	Year ended 30 Jun 2015
	€	€
Direct investment result	9,687,891	3,202,407
Other specific adjustments	1,698,750	(81,932)*
Adjustment relating to shares issued during period	1,568,915	49,096
Distributable earnings	12,955,557	3,169,571
Distribution from reserves	2,750,000	6,618,272
Total distribution	15,705,557	9,787,843
Closing number of shares	348,625,219	291,787,889
Final distribution (euro cents per share)	2.23	2.20
Interim distribution (euro cents per share)	2.27	1.15
Total distribution (euro cents per share)	4.50	3.35

* In order to align with industry peers, the board of directors has refined the methodology for computing distributable earnings, upon which the level of distribution is based. In the prior year the difference between the core income methodology used and the updated direct investment result methodology amounts to €81,932. This has been included in other specific adjustments to reconcile the distributable earnings to core income in the previous year.

RECURRING EPS AND POTENTIAL

MAS is well positioned to go through an accelerated period of earnings growth supported by the completion of its existing developments, committed and further pipeline acquisitions, recycling of capital into income-generating assets and increasing the gearing to its target LTV of 40-50%.





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