



The team at head office on the Isle of Man.

A VERY GOOD YEAR

The year to June 2015 has been a very good one for MAS, and there is every indication the trend will continue. We are pleased that our 2015 results are a reflection of strong growth on all fronts. Both core income and net asset value (NAV) per share were substantially up. So were the growth in profits and the size of the portfolio.

There are several reasons for the robust growth in profits. Key amongst them are:

- Quality investments in our core portfolio which increased the rental income stream
- Uplifts in the value of our development portfolio
- Our investments in Karoo and Sirius which have provided us with excellent returns, and
- Our treasury portfolio, which we acquired to mitigate the effect on returns of a significant portion of cash on the balance sheet.

To top it off, we also benefitted from foreign exchange gains on our sterling and Swiss franc-denominated assets, relative to our euro holdings.

During the past financial year both our income and development portfolios expanded and their combined value increased by 283% from €64.8m to €248.5m. Our plans will likely double the value of the portfolio again in the next 12 months.

Although the company is still under-gearred, we are making solid progress in this regard having negotiated over €100m in debt facilities at fixed terms of up to 12 years at all-in rates of below 3%. These rates are likely to underpin strong core income yields from both our existing assets, and those in our pipeline.

Our team also continues to strengthen. We now have 20 key people on the ground on the Isle of

DIVIDEND

A final dividend of 2.20 euro cents per share brings the total distribution for the year to 3.35 euro cents per share. This represents an increase of 82% on the previous year, and reflects the growth in income derived from the enlarged portfolio.

Man, in London, Edinburgh and soon also in Frankfurt.

At the end of last year we migrated the listing of MAS from the AltX to the main board of the JSE. This necessitated the introduction of additional compliance and governance structures, including new board committees. We now report in an integrated way, and we hope you will take the time to visit our new website and download our integrated annual report which gives a full and transparent view of our business, its context and prospects. It also highlights some of the values that guide us in what we do and how we do it.



GERMANY IS WHERE THE ACTION IS

In October the executive team paid a highly productive visit to the annual Expo Real in Munich. This trade fair for property and investment in Europe has a strong focus on Germany, one of our key countries for investment.

We came away with the overriding impression that there remains significant ongoing investor demand for Western European real estate. In our view, this is primarily due to the yield gap between real estate income returns and extremely low financing costs across Europe, but particularly in Germany.

The result is that on-market transactions are pricing up higher and higher – and are expected to lift even further, certainly through what remains of 2015 and into 2016. The reasons are twofold: the major alternative asset classes show no prospect of delivering equivalent returns in the near future; and interest costs are expected to remain at their present low levels in the medium term.

We believe that certain markets, like the core assets in Germany’s five major cities as well as in London, are now fully priced. The focus of many investors is therefore shifting to properties in secondary cities, where further yield compression is expected in the coming months.

This is encouraging for us on two fronts:

- We expect continuing strong NAV growth performance from our existing development assets. We are therefore focussing on delivering into the rising market those development assets in the portfolio which we don’t intend holding for the long term.
- We have managed to secure an excellent pipeline of acquisitions to be finalised in the coming months. The following deals are now at various stages of finalisation:
 - Market-leading food retail portfolio sale-and-leaseback transaction on 15-year lease terms
 - City-centre food retail and mixed-use investment
 - New build DIY retail warehouse let on a long lease with a strong covenant
 - Well-let logistics centre with medium term redevelopment potential
 - Portfolio of food discounter cash-and-carry outlets let on long leases.

The market is getting more competitive but we continue to be able to access income and value accretive deals. Our intention is to ensure that we are not only “fully invested” by the end of 2016 with strong income yields backed by fixed cost of debt positions, but also that we are positioning the company strongly for the next phase of the cycle.

We find it gratifying that we are able to close transactions at yields that reflect a clear margin above that at which similar on-market deals are done. We believe this is due to the good standing we enjoy with financial institutions and other sellers. Our existing banking and financing relationships are also strong, and we are confident we shall be able to continue securing the facilities we require over the next 12 months to meet our targets.



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