MAS REAL ESTATE

SHORT-FORM ANNOUNCEMENT: AUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

MAS Real Estate Inc. **Registered in British Virgin Islands** **Registration number 1750199**
JSE share code: MSP ISIN: VGG5884M1041 **LEI code: 213800T1TZPGQ7HS4Q13 (MAS, the Company or the Group)**

INTRODUCTION

The 2020 financial year comprised two distinct stages. Prior to early March 2020 management were re-positioning the business by disposing of direct and indirect investments in Western Europe (WE) for redeployment in Central and Eastern Europe (CEE). This would enable MAS (hereafter referred to as the Group or the Company) to benefit from long-term consumption growth in CEE, with the aim to generate 5% like-for-like (LFL) net rental income (NRI) growth from retail holdings in CEE up until 2024 and benefit from retail developments in CEE and residential developments in Romania through the Development Joint Venture (DJV) with Prime Kapital.

Operations were robust until the end of February 2020, as reflected in the financial results. From mid-March, anticipating Covid-19's unprecedented spread, management started preparing the Group for potential government-enforced lockdowns, social distancing measures and temporary closure of non-essential tenants' premises, which could significantly affect operations. Contingency plans were implemented to reduce disruption in operations and mitigate negative financial impact. Trading conditions and prospects deteriorated and the Group initiated plans to deal with the predicted long-term recessionary consequences including a potential significant and prolonged reduction in consumer spending. This turmoil inevitably precipitated weak operating metrics and financial performance during the last four months of the financial year.

The financial results include, in addition to the reported IFRS results, segmental reporting prepared on a proportionate, consolidated basis. These do not replace IFRS results but assist with interpretation. Detailed financial results, and Company Profile, updated as of 30 June 2020, including highlights and supplemental operational information, are available on the Company's website.

All amounts in the Directors' commentary are presented on a proportionate consolidated basis, unless otherwise indicated.

FINANCIAL RESULTS AND DIVIDEND

MAS recorded an adjusted total loss of €85.5million for the six months ending 30 June 2020, leading to an adjusted total loss of €39.0million for the twelve months ending 30 June 2020. The loss in the second half of the financial year comprises adjusted distributable earnings of €21.9million and an adjusted non-distributable loss of €107.4million. Adjusted net asset value (NAV) is €1.07 per share as of 30 June 2020 (down 13.7% from 31 December 2019).

Adjusted distributable earnings were 3.11eurocents per share for the six months ending 30 June 2020 (compared to 4.24eurocents per share for the previous six months period). A cash dividend of 4.24eurocents per share was paid for the six months ending 31 December 2019. Due to Covid-19's impact, the Company declined to declare a final dividend for the financial year.

MAS will consider resuming dividend payments when the pandemic is effectively over, funding commitments (detailed below), are sustained, business is sufficiently profitable, and depending on the attractiveness of investment opportunities relative to available liquidity at the time. This list is not comprehensive and, if relevant, other factors will be considered.

OPERATIONS

Group adjusted total earnings are, on a segmented basis, the combined return of (i) directly owned income property and operations in CEE, (ii) investment in the DJV with Prime Kapital in CEE (including earnings from a proportion of completed DJV-owned income properties and development activities, which are reported on separately under 'Developments, extensions and refurbishments' below), (iii) directly owned income property operations in WE and (iv) investments in listed securities (together with other elements disclosed as Corporate). In the context of the current extraordinary circumstances, the Directors' commentary on operations is focused on the measures taken since March 2020 and Covid-19's impact on the business rather than discussing the pre-pandemic operational performance. Relevant information relating to the period after 30 June 2020, facilitating a complete picture of the Company's financial health, operational performance and prospects of the business, is included but has not been audited.

MAS owns and operates retail assets in CEE, specifically Romania, Bulgaria, and Poland. The Group also owns the following in WE: retail and logistic assets in Germany, a logistic asset in Switzerland (sold post 30 June 2020) and hospitality, retail, office, and industrial assets and development land in UK. The Company has retail and residential development exposure in Romania via the DJV.

Covid-19 continues to significantly impact on operations due to the high concentration of retail assets. UK hospitality and retail assets were also hit hard, however, the German retail assets, due to a high concentration of essential tenants, suffered less severe damage. The Company's office, logistics and industrial assets have not, so far, been materially affected. NRI of €27.2million for the six months ending on 30 June 2020 (€28.6million for the prior six months) is net of €5.97million in provisions, rent holidays and rent discounts granted due to the pandemic.

INITIAL RESPONSE TO COVID-19

When Covid-19 infections spread exponentially in Italy, management anticipated the disease would spread to Romania and Bulgaria because of the high numbers of migrant workers from these countries working in Italy. All contingencies designed to deal with the anticipated impacts (detailed above), were implemented by the end of March 2020, and included:

1. IT frameworks enabling telecommuting.
2. Operational cost reductions minimising the impact on tenants during mall closures.
3. Draw-downs of all available bank facilities mitigating potential negative impact on the financial system.
4. Preparation for suspension of all non-essential/uncommitted development and extension works, as well as other non-essential capital expenditure (capex) and investments.
5. For developments that could not be halted, plans were put in place to limit disruption including, inter alia, accelerating materials' orders, on site storage solutions, and agreeing extensions to opening dates for tenants committed to ongoing retail developments. This applied to - Dambovita Mall, refurbishments at Stara Zagora and Arad, the works in Zurich, committed capital expenditure in UK, completion of basements and the first two residential towers at Marmura Residence (where 78% of the apartments in the two buildings are sold) and work on phase one of Avalon Estate.

LOCKDOWN

By the end of March, authorities in all MAS' regions of operation had introduced pandemic related restrictions, closing all non-essential retail property and hospitality operations. Duration varied with jurisdiction. Inevitably, this directly and negatively impacted the performance of MAS' non-essential retail and hospitality tenants and the operations of smaller essential retailers, such as opticians and laundries.

For non-essential retail tenants, invoicing was suspended until the full impact of lockdowns on the businesses and financial standing of tenants was evident, at which point management could hold informed negotiations regarding rent deferrals and discounts. Additional plans were made to support retail tenants' sales post-lockdown.

Typically, closures commenced in March and remained in full effect until mid-May. By July, most restrictions had been lifted and tenants representing approximately 95.2% of gross rental income were allowed to trade. Notable exceptions were indoor food and beverages and leisure tenants in Romania and the hotel and retail tenants in Scotland. At the date of publication, all Company's tenants have re-opened for trade, excluding aforementioned indoor food and beverages tenants and leisure tenants in Romania.

PREPARATIONS FOR RE-OPENING OF MALLS

In preparation for re-opening, MAS implemented numerous initiatives to create safe retail environments and attract clients, thus boosting sales. Temperature reading equipment and hand sanitising stations were installed, free disposable face masks were provided to shoppers, outdoor food courts' seating solutions were implemented where possible and integrated with food operators in the malls. A network of drive in and outdoor cinemas was designed, permitted and rolled out by the DJV. Where relevant, these facilities were provided at cost to MAS. The first opened at Roman, Baia Mare, Militari, DN1, and Zalau open air malls, followed by another three at enclosed malls. With screens up to 300m², reserved parking for approximately 100 cars and seating for approximately 50 patrons per venue (while respecting social distancing recommendations), these cinemas are particularly impressive. Operated by the asset management team, and integrated with the food and beverages tenants' operations, they have significantly improved evening footfall, providing a lifeline to these tenants.

RETAIL TENANTS' TRADING PERFORMANCES

Footfall was typically encouraging at open-air malls. Anchor tenants benefitted from the issues faced by enclosed malls, and generally reported satisfactory sales levels post-lockdown (sales figures in many cases improved substantially compared to previous years and pre-lockdown). Fashion sales were heavily discounted as tenants cleared out previous season's stock.

Unsurprisingly, footfall in CEE was significantly down during lockdown, from March to June 2020, compared to the same period in 2019. While the number of visitors for this period across the malls is down 51%, the impact of restrictions varied dramatically between open-air malls (36% reduction), and enclosed malls (64% reduction). By July 2020, the total reduction in visitors improved to 21% compared to July 2019. This improvement is driven by open-air malls where comparable footfall was down only 9%; the comparable reduction in visitors for the enclosed malls is 33%. In WE, the Group has a large proportion of essential tenants, single tenant retail assets and assets with exterior entrances. Footfall is measured at Flensburg Galerie (Germany) and was significantly reduced as well, by 52% during the lockdown period and 22% in July, as compared to the same period in 2019.

Total sales in CEE, March to June 2020, were down 48% compared to the same period in 2019 (excluding hypermarket turnovers, as figures were not available on publication of this report). Enclosed malls were significantly affected, reporting a 62% reduction, while sales at open-air malls were down 23% for tenants with exterior entrances and 51% for those with only interior access. During July 2020 tenants' sales were down 15% compared to July 2019. While comparative July sales for open-air mall tenants with exterior entrances improved by 3%, sales were down 27% for enclosed malls and 8% for tenants in open-air malls with only interior access. While do-it-yourself (DIY) sales improved, services, entertainment, food and beverages and smaller retailers were severely hit. Similar sales patterns were reported in WE for non-essential retailers.

SUPPORT MEASURES FOR RETAIL TENANTS

Given the significant impact on non-essential retail tenants and some essential retailers, MAS offered, post-lockdown, conditional rental holidays to severely affected Romanian and Bulgarian retail tenants. If specified conditions are not met, rental holidays are retrospectively cancelled and full rent becomes payable. Tenants that did not accept the terms offered, were invoiced in full for the lockdown period. In Poland, legislation made rent and service charges during lockdown unrecoverable. Additionally, on a case-by-case basis and dependent on post lockdown sales, partial rent deferrals were offered to smaller and financially vulnerable tenants for the post lockdown period. Similar measures were introduced for some retail tenants in WE. Terms offered were widely accepted by retail tenants across CEE and WE. To date contracts were agreed in respect of 80% of lease agreements of non-essential and other affected retail tenants currently allowed to trade in Romania, 89% in Poland and 57% in Bulgaria, with many contract amendments still being negotiated on publication date.

INVOICING, COLLECTIONS, AND OCCUPANCY

In CEE, 24.7% of rental income is generated by tenants with uninterrupted trade who were invoiced normally. The table below illustrates invoicing and cash collections in this region compared to pre-pandemic entitlements (the total income that would have been invoiced disregarding support measures), for the March to June 2020 period, when the harshest trading limitations were imposed, and for July 2020, when most restrictions were lifted. Please note, all figures were reported as at 27 August and were not audited.

Period	Pre-COVID total income expectation	Invoiced	Collected	Pre-COVID rent expectation	Invoiced	Collected
	€million	€million	€million	€million	€million	€million
Mar 20	3.9	3.1 (79%)	3.1 (78%)	2.8	2.1 (75%)	2.1 (76%)
Apr 20	3.9	1.9 (50%)	1.5 (40%)	2.7	1.1 (40%)	0.9 (31%)
May 20	3.8	2.6 (68%)	2.1 (55%)	2.7	1.7 (61%)	1.4 (51%)
Jun 20	3.8	3.5 (92%)	2.8 (74%)	2.7	2.4 (91%)	2.0 (75%)
Mar-Jun 20	**15.4**	**11.1 (72%)**	**9.5 (62%)**	**10.9**	**7.3 (67%)**	**6.4 (58%)**
Jul 20	3.8	3.7 (97%)	2.9 (76%)	2.7	2.6 (96%)	2.1 (77%)

In CEE, from March to June, 38% of the pre-Covid-19 total property income entitlement was deferred and rescheduled (1%), written-off due to conditional payment holidays or otherwise (28%) or not paid (9%). Invoicing and collection figures for open-air malls were significantly better than for the enclosed malls. The Group invoiced 79% of the former, and collected, to date, 74% of its total pre-Covid-19 entitlements for the March to June 2020 period (compared to 65% and 49% respectively for the enclosed malls).

By July 2020, 24% of the pre-Covid-19 total property income entitlement in CEE was deferred and rescheduled (1%), likely to be written-off (3%) or not paid (20%). July invoicing and collection figures for the open-air malls stood at 97% and 89% respectively of the pre-Covid-19 entitlement, compared to 97% and 62% respectively for the enclosed malls. Non-collection in CEE is more prevalent in Poland and Bulgaria than in Romania and due in part to tenants holding out for discounts (risking late payment penalties), not paying invoices and occasionally absconding (1,938m² in CEE).

In WE 78.7% of rental income is from tenants with operations unaffected by the pandemic, and, to date, 85.5% of the €11.3million pre-Covid-19 entitlements were collected to date for March to June 2020 period. Collections in respect of July improved to 91.9% of pre-Covid-19 entitlements.

The total portfolio occupancy at 31 July 2020 reduced to 95.6%, with 93.1% in CEE and 97.5% in WE, as compared to 96.3% at 31 December 2019.

RETAIL PROSPECTS

The pandemic altered consumer behaviour and severely disrupted retailers' operations. Leisure and food and beverages tenants including indoor cinema's, playgrounds, restaurants, casinos and fast food operators in food courts (especially in enclosed malls) will continue to experience extremely low turnover until the pandemic ends and shoppers' confidence is restored. These categories amount to approximately 11.2% of rental income in CEE and 2.7% in WE.

Current evidence reveals that larger non-leisure anchor tenants, especially in open-air malls, are performing satisfactorily, showing a 19% increase in sales from mid-May to end of July 2020 compared to the same period in 2019. Smaller retailers and leisure tenants are not performing well and may require ongoing support, which, where warranted, the Group will provide. If present trends continue, consumption stabilises at current levels, and tenants remain solvent, MAS should recover approximately 83% of pre-discounted contractual rental income in CEE and 94% in WE, in respect of the 2021 financial year. However, there is considerable uncertainty over the depth of the recession and strength of the recovery expected to follow pandemic. Initial lockdowns are lifted, and trading restrictions eased, but measures may be re-introduced if there are significant secondary Covid-19 infection outbreaks in the Group's markets, resulting in additional forced trading closures or limitations.

PROPERTY VALUATIONS

In the six months ending 30 June 2020, €44.1million of negative fair value adjustments to income property was recorded, based on independent external valuations. This is the result of negative fair value adjustments to income property of €35.7million in CEE (decrease of 6.8% compared to valuations at 31 December 2019) and €8.4million in WE (a decrease of 3.7% compared to valuations at 31 December 2019). Valuations are primarily based on discounted forecast cash flows and hence forward looking. The weighted average unlevered discount rate for income property in CEE increased to 10.24% from 9.81%, while cash flows forecasted by valuers were lower than expected at 31 December 2019. The reduction in valuations for WE is mostly a result of negative exchange rate movements in relation to UK properties, partially offset by a substantial increase in the valuation of the Swiss property, where extension and noise reduction works were nearly complete on the valuation date. The management likely-deficit-to-book-value estimate for sales of assets in WE (costs related to punitive fixed-interest arrangements, early debt repayment penalties, agency fees and potential discounts required to facilitate sales where buyers do not agree with valuers' capital expenditure assumptions or ERV assumptions for properties with high vacancies and other costs) were increased by €16.6million as a result of vendor due diligence findings.

LISTED SECURITIES

Investments in listed securities caused a €0.6million adjusted distributable loss for the six months ending 30 June 2020, as dividends declared and recognised in relation to the six months ending 31 December 2019 were suspended by retail REITs post declaration and previously recognised income was written back. Prior to the pandemic, MAS had commenced restructuring its listed securities portfolio, by selling holdings in illiquid companies and is currently holding shares in Unibail-Rodamco-Westfield and Klépierre, valued at €35.5million at 30 June 2020. On 31 December 2019, MAS held listed securities to the value of €131.4million, with €61.9million of debt secured against it. €57.6million of securities were disposed of by June 2020 at a realised loss of €0.9million (compared to values as at 31 December 2019) while the difference to the €36.2million adjusted non-distributable loss reported for the six months ending 30 June 2020 is unrealised.

ASSET SALES IN WE

Disposal of Western European property remains a strategic priority, but during lockdown purchasers initially adopted a wait-and-see approach. The sale of the Langley plot detailed in the results for the six months ending 31 December 2019 failed when the purchasers' financiers withdrew from the transaction. Additionally, some ongoing, off-market processes launched to select purchasers, prior to the management restructuring in December 2019, stalled when counter parties attempted to exploit market uncertainty. Management quickly responded by re-scheduling sales, enabling comprehensive vendor due diligences and detailed relevant information to be disseminated to numerous potential purchasers. This approach produced an early success with the disposal of the Zurich warehouse (the sale is subject to the completion of works by 31 December 2020) on 7 July 2020 for CHF38.5million, which should lead to a net cash inflow of €19million post bank settlements, taxes and costs by end September 2020. The remaining land in the residential development at New Waverley, Edinburgh, was sold for £6.9million to Queensbury Properties Limited after the buyer exercised an option granted to it in November 2018 when it acquired the first of two adjacent plots. The proceeds are receivable in three instalments, the first was received on 10 August 2020, with the second and third payable on the first and second anniversaries.

MAS aims to dispose of €310.9million of additional property in WE by December 2020, €166.9million by June 2021 and €33.2million by December 2022, with estimated net proceeds of €143.5million, €48.9million and €14.3million, respectively.

Due to Covid-19, the Group expects to manage some assets in WE for longer than anticipated. This includes the Flensburg, Braunschweig and Bruchsal retail assets in Germany as well as the Adagio hotel and the remaining land holdings in UK. The Company is changing the management of these assets to improve operations and reduce the high operating costs. A reconfiguration plan of the shopping centre in Flensburg has been designed.

DEBT, COST OF DEBT, AND LIQUIDITY

MAS drew down in full all available bank debt facilities at the start of the Covid-19 crisis in Europe, and, as a result, had €456.4million of secured and unsecured debt on 30 June 2020. The Group's loan to value (LTV) ratio was 33% on 30 June 2020. The long-term Group set overall net debt limit is a maximum LTV ratio of 40%, or, on a forward-looking basis, seven times net rental income. The weighted average cost of debt is 3.28% per annum as of 30 June 2020.

The Company's secured bank debt requires compliance with both income-based covenants (twelve-month rolling debt service coverage ratios that are backward looking based on reported numbers, and forward looking, based on management forecast) and LTV covenants. As expected, no LTV covenants were breached, and MAS obtained waivers from banks in relation to income covenants on some loans due to lockdown. In addition to secured bank debt, the Company has an unsecured revolving facility at MAS Real Estate Inc level, which is currently fully drawn. Financial covenants governing this facility include a Group wide minimum consolidated net asset value of €600million, a minimum 2.5 ratio of consolidated EBITDA to accrued interest on Group senior debt and a Group LTV ratio not exceeding 50%. The debt expiry profile is published in the Company Profile.

The Group held €51.4million in cash and a further €28.4million in net listed securities at 30 June 2020 (figures not proportionally consolidated) and expects net estimated proceeds of €22.7million from the sales of the Zurich asset and New Waverley plot by September 2020. MAS is in a strong position to meet day-to-day financial obligations, including commitments to the DJV. On 30 June 2020, the Group had an ongoing undrawn commitment to the DJV of €241.3million. If funding is requested, but not immediately available, MAS' obligations are limited to €120million on a rolling six-month basis. Even though no relevant drawdown request has currently been made and the DJV has deferred most construction costs associated with its development pipeline, it may seek to drawdown funds as new investment opportunities are identified. These may include, in addition to development and redevelopment opportunities, acquisitions of income producing assets and investments in listed securities.

DEVELOPMENTS, EXTENSIONS AND REFURBISHMENTS

In the DJV, Prime Kapital completed the Zalau Value Centre and DN1 Value Centre developments (both in Romania) prior to the pandemic, and they opened for trade in November and December 2019, respectively. The planned May 2020 opening of the 32,800m² GLA mall in Targoviste, Romania, was delayed, and it opened on 20 August 2020, with 92% occupancy of 31,200m² completed GLA. The fit-out and opening of the cinema, representing 1,700m² GLA of the originally planned space were postponed while tenants who committed to 1,312m² GLA did not perform fit out and did not open. The development has a potential for a further approximate 10,000m² GLA extension in addition to the space allocated for the cinema.

Construction works on Mall Moldova, a 92,000m² GLA super-regional enclosed mall in Iasi (Romania), and the 17,000m² GLA open-air mall in Sfantu Gheorghe (Romania) were suspended. A significant reduction in consumption will also affect the feasibility of development opportunities in the current pipeline, which is why MAS and DJV are reconsidering the developments and extensions opportunities previously reported. This assessment will be completed when adequate data relating to the second half of the 2020 calendar year is available, assuming further strict trading restrictions are not introduced during this period and that there is a low probability of lockdowns during 2021 calendar year.

Based on the strong performance of anchor tenants in open-air malls post Covid-19 pandemic lockdowns, the DJV decided to proceed with construction at Sfantu Gheorghe in September 2020. The opening of a first phase of the open-air mall (16,300m² GLA), focused on anchor tenants, is scheduled for April 2021. Resumption of further open-air mall developments is expected by March 2021, provided that the end of the pandemic is in sight and that the financial health of anchor tenants for the planned developments remains strong. New estimated start dates, opening dates, updated expected costs and ERVs for retail developments are published in the updated Company Profile and will be further adjusted in line with emerging evidence over the following months. Given the unfolding events, ongoing extension and refurbishment works to retail assets, except for the refurbishment and reconfiguration of Atrium Mall and Galleria Stara Zagora, are on hold. Exposure to suspended DJV projects and retail projects under permitting is €25million on 30 June 2020.

Work continues at the DJV's first residential development in Bucharest, Marmura Residence, with 159 of 459 apartments sold to date (the previously reported 465 units included six small offices). The urban development, consisting of five high-rise buildings above integrated underground parking and 5,000m² of green and pedestrian areas, is the first in a series of high-quality residences sold at lower-quality prices. This is a deliberate strategy aimed at establishing the developer's reputation for reliable, superior housing. Sales figures are encouraging. Currently, 152 (78%) of the 194 apartments in the first two towers have been sold, and consequently the third tower, with 83 apartments, was put on the market late July 2020. Works at Avalon Estate are expected to start in September 2020, and 39 villas, townhouses and apartments were released for sale prior to the issue of the building permit. A further 83 apartments were released for sale in late July 2020. To date, 45 dwellings (including all phase one villas), representing 37% of the phase one units (51% of the estimated sales proceeds thereof), have been sold, prior to the start of construction works. Zoning approval was obtained for The Silk District, a mixed-use office and residential development (Iasi, Romania), that represents €277.2million of DJV projects under permitting. The approved masterplan allows for significant flexibility between office and residential allocations. Given the potential negative impact of the pandemic on office demand, planning continues with primary emphasis on the residential elements.

The DJV achieved two industry firsts in Romania intended to boost residential client confidence and to support property sales during and post-Covid-19. First, all past and future customer deposits paid are now held in independent fiduciary accounts, which means that if the developer fails to complete the project, the return of these deposits is secured. This builds trust with clients and highlights the potential financial risks of acquiring apartments off-plan from competitors that seek high and unsegregated deposits from clients to use as development capital. Second, FlexAssist, an unique help-to-buy scheme for clients seeking to purchase primary residences, was extended into a 'solidarity' program. Qualifying clients obtain the right to occupy a newly built unit on completion, while simultaneously agreeing to complete the acquisition through a promissory sale and purchase agreement with developer that provides finance once they qualify for mortgage. This limited duration offer significantly reduces rent in the first three years of occupation.

MAS SHARES PURCHASES BY THE DEVELOPMENT JV

The DJV acquired 29,993,638 MAS shares on the open market, as reported in a series of announcements commencing 5 June 2020. Although the DJV was established in early 2016 following negotiations between MAS and Prime Kapital with the primary objective to develop assets in CEE, the mandate includes direct investment in real estate in the CEE and real estate listed securities and other instruments.

The rationale for this wide mandate should be considered in the context of DJV's formation. MAS was seeking access to CEE expertise and wished to negotiate an arrangement with Prime Kapital and its partners. Under the terms of this agreement, Prime Kapital (i) would not be allowed to undertake CEE real estate development outside of the DJV, (ii) would invest substantial equity upfront for the duration of the arrangement (iii) would contribute its secured development pipeline to the DJV at cost, (iv) would take responsibility for sourcing further developments (v) would provide the DJV with all the necessary construction and development services utilising its integrated in-house platform and (vi) do all of this exclusively in the DJV. In exchange, Prime Kapital required from MAS an irrevocable funding commitment, management control and an investment mandate to allow it to optimise returns in case of changes in market circumstances. If not, an exclusive arrangement between MAS and Prime Kapital would not have been possible. The DJV's drawdown rights remain the same under any scenario in relation to its investment mandate.

The wide investment mandate serves the DJV and its shareholders (including MAS) better than a limited mandate as, given changes in circumstances precipitated by the pandemic, the latter would incentivise the DJV to focus on developments that, even though profitable, would be sub-optimal compared to other investment opportunities in its area of expertise. There is no doubt that the Company and its shareholders are best served by decisions that are optimal and always maximise (risk-adjusted) returns. Markets are dynamic, therefore capital should be allocated where the best (risk- adjusted) returns are likely to be achieved and flexibility is necessary to achieve this. That being the case, the Board considers the acquisition of MAS shares by the DJV to be beneficial to the Group and its shareholders, as economically it serves as a partial buyback (the DJV is an investment by an associate, as MAS owns a substantial stake therein) with added flexibility as the shares could later be 're-issued' by the DJV at a better price (by selling shares owned) when development opportunities or direct investment opportunities become relatively more attractive. If not, the MAS shares acquired by the DJV could potentially be used at the end of the DJV's term to partially settle the preference shares outstanding by the DJV to MAS). Selling assets in WE and indirectly re-investing in assets in CEE (by acquiring MAS shares) at a substantial implied discount to fair value (at a NAV discount which compares well to the extraordinary development margins achieved by the DJV to date) is an appealing investment. In the current market there are unlikely to be any investments which offer stronger returns and this is highly valuable to the Company and for its long-term investors.

MAS decided to hold off with share buybacks as it has substantial funding commitments, including those towards the DJV, and will consider buying back its own shares once it has provided for its funding commitments in full. This decision is not in any way related to the decision to buy MAS shares in the DJV, as this was taken by the DJV independently from MAS' governance structures.

CORPORATE STRUCTURE, RELOCATION OF FUNCTIONS TO MALTA, COST SAVINGS IN WE, AND DELISTING FROM LUXEMBOURG STOCK EXCHANGE (LUXSE)

The delisting from LuxSE is complete and the Isle of Man office rationalised, with the result that corporate expenses reduced from €3.4million for the six months ending on 31 December 2019 to €2.6million for the six months ending on 30 June 2020. Plans to move some of the Group's functions to Malta are progressing, and the Group's Chief Operational Officer relocated there in July 2020 to oversee set up of functions.

PROSPECTS

Covid-19 caused the major part of the loss during the six month period ending 30 June 2020. The pandemic is not yet over and further uncontrolled outbreaks in the Group's markets may cause further deterioration in trading conditions. The Group is prepared for the impact of the recession on its retail assets. This includes a significant potential contraction in consumption, which will continue to affect tenants' financial health and annual rental income growth. In addition, Covid-19 caused delays in the retail development pipeline and negatively impacted feasibilities. Early indications are that the DJV's residential developments have been less impacted by Covid-19, which disproportionally affects lower income groups who are not the intended market of these developments.

Fortunately, due to early and continued management actions, MAS is well positioned to weather the Covid-19 storm and the recessionary aftermath. Long-term, consumption growth in CEE is still expected to outperform WE. Even if less capital is available for investment over the same timeframe than anticipated prior to the pandemic, it is expected that the downturn should generate investment opportunities involving the acquisition of assets in CEE at attractive prices and the circumstances to participate in growth from a lower base. The recession is also expected to cause a reduction in construction costs and financial distress to competitors. If this occurs, new development and investment opportunities may emerge.

The Board and management remain optimistic and will continue to steer the Company in line with the long-term investment approach of maximising total long-term returns from investments on a per share basis by concentrating on capital allocation, operational excellence, sensible leveraging and cost efficiency, thereby sustainably growing distributable earnings per share.

Martin Slabbert, CEO Victor Semionov, CFO 28 August 2020 — Douglas, Isle of Man

All amounts in € thousand unless otherwise stated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Audited 30 Jun 20	Audited 30 Jun 19
Non-current assets	762,978	1,104,097
Current assets	530,091	285,749
Total assets	**1,293,069**	**1,389,846**
Equity attributable to owners of the Group	796,023	858,119
Non-controlling interest	–	7,439
Total equity	796,023	865,558
Non-current liabilities	266,015	341,760
Current liabilities	231,031	182,528
Total liabilities	497,046	524,288
Total shareholder equity & liabilities	**1,293,069**	**1,389,846**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Audited Year ended 30 Jun 20	Audited Year ended 30 Jun 19
Rental income	66,834	57,620
Service charge income and other recoveries	14,391	12,455
Impairment of revenue	(5,591)	-
Revenue	**75,634**	**70,075**
Service charge and other property operating expenses	(19,158)	(18,479)
Net rental income	**56,476**	**51,596**
Corporate expenses	(6,515)	(5,627)
Profit on sale of inventory property	309	8,151
Other income	6,308	7,259
Investment expenses	(4,530)	(3,210)
Fair value adjustments	(42,399)	(7,632)
Foreign currency exchange differences	(1,203)	(365)
Share of profit from equity accounted investee, net of tax	4,848	11,009
Gain on bargain purchase	–	12,263
Goodwill impairment	(29,452)	–
(Loss)/profit before finance (costs)/income	**(16,158)**	**73,444**
Finance income	13,253	12,058
Finance costs	(13,895)	(10,251)
(Loss)/profit before tax	**(16,800)**	**75,251**
Current tax	(1,424)	(3,948)
Deferred tax	(1,963)	(9,425)
(Loss)/profit for the year	**(20,187)**	**61,878**
Attributable to:		
Owners of the Group	(21,615)	55,035
Non-controlling interest	1,428	6,843

FINANCIAL PERFORMANCE	Audited 30 Jun 20	Audited 30 Jun 19
IFRS Net asset value attributable to owners of the Group	796,023	858,119
IFRS Net asset value per share (eurocents)	113	135
IFRS Revenue	75,634	70,075
(Loss)/earnings per share (eurocents)*	(3.19)	8.63
Gross headline earnings	12,578	5,330
Net headline earnings	12,076	16,037
Gross headline gain/(loss) per share (eurocents)	1.86	0.84
Net headline gain/(loss) per share (eurocents)	1.78	2.52
Gross diluted headline gain/(loss) per share (eurocents)	1.86	0.84
Net diluted headline gain/(loss) per share (eurocents)	1.78	2.52
Closing number of shares in issue**	704,493,798	637,493,798

* The Group's earnings per share have decreased by 137% vs. 30 Jun 2019.
** Excluding treasury shares.

SEGMENTAL ANALYSIS INCOME STATEMENT (JAN – JUN 2020)	Proportionate accounts Six months ended 30 Jun 2020					Adjustments Six months ended 30 Jun 2020					Adjusted proportionate accounts Six months ended 30 Jun 2020				
	Total	CEE	DJV	WE	Co***	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
EARNINGS	**(74,182)**	**(27,787)**	**2,423**	**(1,225)**	**(47,593)**	**(11,353)**	**4,698**	**429**	**(16,617)**	**137**	**(85,535)**	**(23,089)**	**2,852**	**(17,842)**	**(47,456)**
Distributable earnings	**24,790**	**9,956**	**6,313**	**9,347**	**(826)**	**(2,918)**	**–**	**–**	**–**	**(2,918)**	**21,872**	**9,956**	**6,313**	**9,347**	**(3,744)**
Net rental income – income property	27,241	12,671	1,436	13,134	–	–	–	–	–	–	27,241	12,671	1,436	13,134	–
Net income – preference shares	3,930	–	3,930	–	–	–	–	–	–	–	3,930	–	3,930	–	–
Net dividends – listed securities	2,300	–	–	–	2,300	(2,918)	–	–	–	(2,918)	(618)	–	–	–	(618)
Net corporate expenses	(2,599)	(208)	(71)	(419)	(1,901)	–	–	–	–	–	(2,599)	(208)	(71)	(419)	(1,901)
Interest on debt financing	(6,849)	(2,065)	(325)	(3,107)	(1,352)	–	–	–	–	–	(6,849)	(2,065)	(325)	(3,107)	(1,352)
Interest capitalised on developments	1,435	–	1,435	–	–	–	–	–	–	–	1,435	–	1,435	–	–
Other distributable net income/(cost)	(240)	(473)	(53)	(12)	298	–	–	–	–	–	(240)	(473)	(53)	(12)	298
Income tax	(428)	31	(39)	(249)	(171)	–	–	–	–	–	(428)	31	(39)	(249)	(171)
Non-distributable earnings	**(98,972)**	**(37,743)**	**(3,890)**	**(10,572)**	**(46,767)**	**(8,435)**	**4,698**	**429**	**(16,617)**	**3,055**	**(107,407)**	**(33,045)**	**(3,461)**	**(27,189)**	**(43,712)**
Fair value adjustments – income property	(44,078)	(32,398)	(3,300)	(8,380)	–	–	–	–	–	–	(44,078)	(32,398)	(3,300)	(8,380)	–
Fair value adjustments – interest rate derivatives	(2,738)	(725)	–	(2,013)	–	–	–	–	–	–	(2,738)	(725)	–	(2,013)	–
Fair value adjustments – listed securities	(39,115)	–	–	–	(39,115)	2,918	–	–	–	2,918	(36,197)	–	–	–	(36,197)
Fair value adjustments – other financial liabilities	(1,694)	(2,058)	–	364	–	2,058	2,058	–	–	–	364	–	–	364	–
Foreign currency exchange differences	(5,489)	188	1	–	(5,678)	–	–	–	–	–	(5,489)	188	1	–	(5,678)
Goodwill impairment	(6,826)	(6,826)	–	–	–	6,826	6,826	–	–	–	–	–	–	–	–
Investment expenses	(2,282)	(110)	(10)	(454)	(1,708)	–	–	–	–	–	(2,282)	(110)	(10)	(454)	(1,708)
Share-based payment expense	(493)	(356)	–	–	(137)	493	356	–	–	137	–	–	–	–	–
Other non-distributable cost	(281)	–	(152)	–	(129)	–	–	–	–	–	(281)	–	(152)	–	(129)
Tax on sale of property	(61)	–	–	(61)	–	–	–	–	–	–	(61)	–	–	(61)	–
Deferred tax	4,085	4,542	(429)	(28)	–	(4,113)	(4,542)	429	–	–	(28)	–	–	(28)	–
Estimation for WE disposal realisation costs and losses	–	–	–	–	–	(16,617)	–	–	(16,617)	–	(16,617)	–	–	(16,617)	–
Weighted average number of shares (million)~											**703.3**				
Adjusted distributable earnings per share (eurocents)											**3.11**				

SEGMENTAL ANALYSIS BALANCE SHEET (JUN 2020)	Proportionate accounts 30 Jun 2020					Adjustments 30 Jun 2020					Adjusted proportionate accounts 30 Jun 2020				
	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co	Total	CEE	DJV	WE	Co
NET ASSET VALUE	**796,023**	**299,283**	**212,729**	**282,400**	**1,611**	**(52,369)**	**4,132**	**(3,811)**	**(52,690)**	**–**	**743,654**	**303,415**	**208,918**	**229,710**	**1,611**
Assets	**1,317,243**	**473,178**	**229,818**	**543,505**	**70,742**	**(23,369)**	**(15,396)**	**(7,973)**	**–**	**–**	**1,293,874**	**457,782**	**221,845**	**543,505**	**70,742**
Income property	1,007,451	435,699	45,116	526,636	–	–	–	–	–	–	1,007,451	435,699	45,116	526,636	–
Developments – income property	41,682	907	40,775	–	–	–	–	–	–	–	41,682	907	40,775	–	–
Developments – residential property	15,322	–	15,322	–	–	–	–	–	–	–	15,322	–	15,322	–	–
Preference shares	111,630	–	111,630	–	–	–	–	–	–	–	111,630	–	111,630	–	–
Listed securities	43,469	–	7,973	–	35,496	(7,973)	–	(7,973)	–	–	35,496	–	–	–	35,496
Goodwill	1,696	1,696	–	–	–	(1,696)	(1,696)	–	–	–	–	–	–	–	–
Deferred tax asset	3,519	2,218	125	1,176	–	–	–	–	–	–	3,519	2,218	125	1,176	–
Other assets	1,756	464	289	783	220	–	–	–	–	–	1,756	464	289	783	220
VAT receivable	4,465	2	4,028	347	88	–	–	–	–	–	4,465	2	4,028	347	88
Share-based payment prepayments	13,700	13,700	–	–	–	(13,700)	(13,700)	–	–	–	–	–	–	–	–
Trade and other receivables	17,768	8,914	1,179	7,366	309	–	–	–	–	–	17,768	8,914	1,179	7,366	309
Cash and cash equivalents	54,785	9,578	3,381	7,197	34,629	–	–	–	–	–	54,785	9,578	3,381	7,197	34,629
Liabilities	**521,220**	**173,895**	**17,089**	**261,105**	**69,131**	**29,000**	**(19,528)**	**(4,162)**	**52,690**	**–**	**550,220**	**154,367**	**12,927**	**313,795**	**69,131**
Debt financing	456,484	143,166	4,646	241,999	66,673	–	–	–	–	–	456,484	143,166	4,646	241,999	66,673
Interest rate derivative financial liabilities	4,175	1,930	–	2,245	–	–	–	–	–	–	4,175	1,930	–	2,245	–
Other liabilities	1,349	–	1,054	295	–	–	–	–	–	–	1,349	–	1,054	295	–
Deferred tax liability	31,586	19,528	4,162	7,896	–	(23,690)	(19,528)	(4,162)	–	–	7,896	–	–	7,896	–
Trade and other payables	27,626	9,271	7,227	8,670	2,458	–	–	–	–	–	27,626	9,271	7,227	8,670	2,458
Estimation for WE disposal realisation costs and losses	–	–	–	–	–	52,690	–	–	52,690	–	52,690	–	–	52,690	–
Closing number of shares in issue (million)~											**692.5**				
Net asset value per share (eurocents)	**115**	**43**	**31**	**41**	**–**										
Tangible net asset value per share (eurocents)											**107**	**44**	**30**	**33**	**–**

*** Corporate (Co), other assets, liabilities and activities related to the Group's management, including investments in listed securities, Group level financing, as well as corporate level administration.
~Weighted number of shares for the period and Closing number of shares for proportionate accounting purposes are computed by elimination of MAS' 40% share of own shares acquired by the associate.

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement released on SENS on Friday, 28 August 2020 and available at: https://senspdf.jse.co.za/documents/2020/jse/isse/msp/MASFS2020.pdf or on the Company's website: https://www.masrei.com/investor-relations/company-reports/financial-results. This short-form announcement does not contain full or complete details, any investment decisions by investors and/or shareholders should be based on consideration of the full announcement. The full announcement is available for inspection or may be requested and obtained in person, at no charge, at the head office of the Company on the 2nd floor, Clarendon House, Douglas, Isle of Man, IM1 2LN, and at the offices of our sponsor Java Capital Trustees and Sponsors Proprietary Limited, at 6th Floor, 1 Park Lane, Sandton, Johannesburg, 2196, South Africa, during office hours from 28 August 2020 to 11 September 2020. The consolidated annual financial statements have been audited by the Company's auditors, PricewaterhouseCoopers LLC, who expressed an unmodified audit opinion thereon. The auditor's opinion includes communication of a key audit matter in respect of the implications of Covid-19. The opinion, together with the consolidated annual financial statements are available on the Company's website at the above link.