**MAS P.L.C.**
Registered in Malta
Registration number C 99355
JSE share code: MSP
ISIN: VGG5884M1041
LEI code: 213800T1TZPGQ7HS4Q13
(‘**MAS**‘,‘**the Group**‘ or ‘**the Company**‘)

# VOLUNTARY TRADE UPDATE AND PRE-CLOSING STATEMENT

## Introduction

This voluntary announcement is a pre-close update prior to the release of MAS’ financial results for the financial year ending on 30 June 2022 updating shareholders on macroeconomic developments in the Group’s markets, operations, and progress concerning strategic objectives. Unless otherwise stated, figures are stated on a proportionate consolidated basis.

The Group is a green property owner and operator focused on Central and Eastern Europe (‘**CEE**’), with investments in retail assets in Romania, Bulgaria, and Poland. MAS also benefits from exposure to high-quality commercial and residential developments via the Development Joint Venture (‘**DJV**’)[1] with partner Prime Kapital. MAS aims to maximise total long-term returns from property investments on a per share basis by focusing on capital allocation, operational excellence, sensible leverage and cost efficiency, sustainably growing distributable earnings per share.

## Macroeconomic considerations

Global macroeconomic sentiment continues to be adversely affected by uncertainty, mainly arising from supply shortages, recent upsurge in inflation and increasing interest rates. The current high levels of inflation are, partly, a result of a surge in energy prices underway since 2021 permeating into increased costs of services, consumer goods, and industrial goods. Exacerbated by Russia’s invasion of Ukraine, energy shortages coupled with selected food and commodity prices increases have dramatically heightened inflation. The European Central Bank (‘**ECB**’) sets long-term Euro inflation targets, and implements measures, including changes in reference interest rates, to achieve those targets. Central banks have commenced tightening monetary policies, by adjusting reference interest rates, to address higher than targeted inflation. The ECB’s long-term inflation target is currently set at 2%, while the central bank projects annual inflation at 6.8% in 2022, before a decline to 3.5% in 2023 and to 2.1% in 2024.

The Group’s assets are in CEE countries with strong fundamentals. Over the past 22 years (1999 to 2021), Romania, the Group’s largest market, measured 9.3% compounded annual growth in Euro denominated GDP, strongly outperforming all other EU peers (3.7% in real terms, one of the most accelerated in the European Union). With a well-diversified economy, including a strong and growing energy sector, and a complex export basket (ranking 22nd globally in the Economic Complexity Index), Euro denominated GDP growth is expected to continue to outperform mid and long-term. Residential sales and retail-based rental income growth are directly proportional to consumption growth, while consumption closely tracks GDP growth.

Based on data published by the Romanian National Institute of Statistics, Romania’s real GDP growth, and consumption growth, continue. For the first trimester of 2022, Romania’s GDP in real terms was 5.2% higher than in the previous trimester

[1] DJV is an abbreviation for a separate corporate entity named PKM Development Limited (PKM Development), an associate of MAS since 2016, with independent governance. MAS owns 40% of the common share capital of PKM Development, an investment conditional on it irrevocably undertaking to provide preferred share capital to PKM Development on notice of drawdown. MAS’ undertakings to PKM Development arose prior to Prime Kapital’s founders joining MAS’ Board in November 2019 and are unaffected. By 31 May 2022, MAS had invested €283.1million in preferred shares and had an obligation of €136.9million outstanding (figures not proportionally consolidated). The balance of the common share capital in PKM Development was taken up by Prime Kapital in 2016 for €30million in cash, and, in terms of applicable contractual undertakings and restrictions:
(i) is not permitted to undertake real estate development in CEE outside of PKM Development until the earliest of the DJV’s capital commitments being fully drawn and invested, or 2025;
(ii) contributed secured development pipeline to PKM Development at cost;
(iii) takes responsibility for sourcing further developments, and
(iv) provides PKM Development with all necessary construction and development services via integrated in-house platform.

and 6.5% higher than the same period during 2021. The growth in real GDP was primarily driven by increases in trading volumes of businesses operating in retail, storage, hotels and restaurants (12.2%), information technology and telecommunications (23.3%), professional services (9.5%), leisure, entertainment, and culture (9.2%).

In addition, year-on-year increases in Romanian, RON denominated, average wages have tracked inflation (11.4% versus 13.6%) for the first four months of 2022, substantially shielding consumers from inflation.

Even though Romania's real GDP growth is expected to decelerate, the consensus is for a recession not to occur in 2022 or 2023. The European Commission forecasts Romania's real GDP growth to reduce to 2.6% during 2022 and to regain momentum in 2023 with a real GDP increase of 3.6%, while the Organisation for Economic Co-operation and Development ('**OECD**') projects Romania's GDP growth outlook to be 3.1% in 2022 and 2.6% in 2023.

**MAS' positioning in the context of high inflation**

Commercial real estate, especially the retail properties which MAS holds directly or indirectly via its investment in the DJV, provide shareholders with a good inflation hedge, as inflation is passed to tenants via indexation and turnover clauses in leases, thereby ensuring that rental income and asset values keep pace with inflation. This is the case also in the long-term, provided that real GDP and consumption growth prevails when leases come to end of term.

MAS' properties benefit from Euro-based, triple-net, leases, with full Euro indexation to base (minimum) rents and turnover clauses, allowing MAS to fully pass indexation to its tenants, which are expected to comfortably absorb higher rents given that occupancy cost ratios are expected to remain healthy due to robust tenants' sales, illustrated by the operational performance for the five months to 31 May 2022 discussed below. In the long term, MAS expects to continue to benefit from strong macroeconomic fundamentals in CEE and Romania specifically.

Asset classes with limited potential for growth, such as cash and cash equivalents, dilute shareholder value in high-inflationary environments. MAS' acquisition of operating commercial assets from the DJV, subject to shareholders' approval, is expected to improve MAS' positioning for above inflationary growth in per share distribution and tangible NAV per share by reducing cash balances and adding quality assets with healthy trading attributes.

Interest rates on MAS' debt are mostly fixed, except for the Group's undrawn revolving credit facility. The Group's secured debt (at Flensburg) carries a fixed interest rate, and the bond carries a 4.25% fixed coupon, therefore neither would be impacted by rising variable rates. Secured debt on properties proposed to be acquired from the DJV, subject to shareholders' approval, carries an attractive weighted average annual interest of 3-month EURIBOR plus a margin of approximately 3.25% and is fully hedged via interest rate caps for the following seven years.

**Operations**

Information regarding MAS' Central and Eastern European gross leasable area ('**GLA**') affected by restrictions, like-for-like ('**LFL**') footfall (compared to 2019), LFL tenants' sales (compared to 2019), income entitlements (including invoicing, waivers and deferrals), collection rates (collections compared to invoicing) and pro forma collection rates (collections compared to the total expected income disregarding Covid-19's impact) for the five months ended 31 May 2022, is detailed in Table 1. Information regarding tenants' sales in new properties that became operational after the first six months of 2019 is detailed with reference to weighted average tenants' sales in similar types of properties, in Table 2. All figures reported on 17 June 2022.

Table 1:

| | | Jan 22 | Feb 22 | Mar 22 | Apr 22 | May 22 | Total |
|---|---|---|---|---|---|---|---|
| **Open GLA**[2] | **%** | **9** | **24** | **85** | **100** | **100** | **64** |
| **Restricted GLA**[3] | **%** | **91** | **76** | **15** | **-** | **-** | **36** |
| **Closed GLA**[4] | **%** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Footfall (2022 compared to 2019)** | **%** | **78** | **82** | **95** | **104** | **105** | **93** |
| Open-air malls | % | 88 | 91 | 97 | 110 | 109 | 100 |
| Enclosed malls | % | 68 | 72 | 92 | 98 | 100 | 86 |
| **Tenants' sales per m$^2$ (2022 compared to 2019)** | **%** | **103** | **107** | **111** | **124** | **129** | **115** |
| Open-air malls | % | 108 | 112 | 112 | 133 | 126 | 117 |
| Enclosed malls | % | 93 | 97 | 108 | 121 | 132 | 112 |
| **Total pre-pandemic income expectation** | **€m** | **4.5** | **4.5** | **4.6** | **4.6** | **4.6** | **22.8** |
| Income waived, deferred, or suspended | €m | 0.1 | 0.1 | - | - | - | 0.2 |
| Due income (invoiced) | €m | 4.4 | 4.4 | 4.6 | 4.6 | 4.6 | 22.6 |
| **Collection rate** | **%** | **100** | **99** | **99** | **98** | **96** | **98** |
| **Pro forma collection rate** | **%** | **98** | **98** | **98** | **98** | **96** | **98** |

Table 2:

| | | Jan 22 | Feb 22 | Mar 22 | Apr 22 | May 22 | Total |
|---|---|---|---|---|---|---|---|
| **Tenants' sales per m$^2$ (2022 compared to weighted average sales for similar properties in 2019)** | **%** | **121** | **123** | **125** | **139** | **130** | **128** |
| Open-air malls | % | 114 | 116 | 121 | 132 | 130 | 123 |
| Enclosed malls | % | 133 | 137 | 137 | 162 | 130 | 141 |

Trading in all Central and Eastern European countries where the Group operates was exceptional for the first five months of the 2022 calendar year. All properties have had significant improvements in footfall and tenant sales after previously introduced restrictions have been removed by Romanian and Bulgarian authorities. This occurred in March 2022, when all social distancing restrictions were lifted.

Tenants' sales have continued to comfortably exceed pre-pandemic levels up to March, when pandemic restrictions remained in place, and growth in tenants' sales accelerated dramatically in April and May with some tenants achieving all-time record sales at locations within assets the Group operates.

Monthly rental entitlements also continued to strongly grow, as is illustrated by total pre-pandemic income entitlement in May, which is 9.9% higher, on an annualised basis, than the figure for December 2021. This is partly due to higher rent indexation from Euro inflation and to rental from overage.

2 GLA open for trade without restriction.
3 GLA open for trade subject to restrictions (computed on a pro rata basis to reflect days with restrictions).
4 GLA closed for trade (computed on a pro rata basis to reflect closures).

Pro forma collection rates were excellent throughout the five-month period, approaching pre-pandemic levels despite restrictions in the first two months of the 2022 calendar year. The pro forma collection figures for May should be considered with caution as collection efforts are ongoing.

Occupancy cost ratios (excluding certain tenant categories: supermarkets, DIYs, entertainment and services) up to 31 May 2022 continued to remain healthy, at 11.3% (31 December 2021: 11.3%), despite higher total occupancy costs due to increased rentals and service charges.

Leasing and ongoing asset management initiatives are progressing well, aimed at achieving MAS' strategic asset management targets by the end of the 2026 financial year. Consequently, occupancy of Central and Eastern European assets increased to 96% on 31 May 2022 (95.3% on 31 December 2021).

The exceptional operational performance for the five-month period demonstrates the value of optimal tenant mix in the assets' catchment areas, the high proportion of anchor tenants (82%), comfortable occupancy cost ratios and the Group's positioning to benefit from higher inflation.

Operations, including collections, in Western Europe ('**WE**') remained consistent with the six-month period to 31 December 2021.

**Developments, extensions, and refurbishments**

MAS' priority is to maximise total long-term returns from property investments on a per share basis. To this end, two of its strategic goals remain investment in new, quality income properties with high income growth potential and improving sustainable future distributions through exposure to residential developments rolled-out by joint-venture partner Prime Kapital.

Developments previously reported continue broadly in accordance with expectations, while supply shortages and price increases are successfully managed, as enabled by the developer's integrated business model. Prime Kapital has identified and secured additional commercial and residential pipeline estimated at €255million, at cost. This additional secured pipeline, as well as further development pipeline (new retail, residential and mixed-use opportunities) of approximately €1,121million being pursued, would be added to the DJV's current €1,649million development pipeline, published on 7 March 2022. The addition of further development pipeline to the DJV is subject to its capital base being enlarged by MAS committing to invest in additional preferred shares in the DJV, in the absence of which Prime Kapital will be unrestricted from developing these projects outside of the DJV (pipeline figures not proportionally consolidated). Projects would be subject to due diligence, zoning and/or permitting. Further details on the secured pipeline additions will follow in due course, should DJV's capital base be increased following MAS' shareholders' vote on 30 June 2022.

**Prospects**

The Company is well positioned in relation to achieving stated objectives and long-term strategic targets, despite short-term disruption, and higher inflation and interest rates expected through to 2023. The proposed transactions detailed in MAS' announcement issued on 4 May 2022, will add additional scale to the Group's CEE operations via attractive direct acquisitions of newly developed, high-quality properties with high growth potential from the DJV and the extension of the duration of the DJV relationship and increase in MAS' investment commitments to the DJV. While uncertainty remains with respect to the extent and frequency of measures still to be taken by central banks to combat the inflationary impact on economies, as well as the length and depth of repercussions of the Russian invasion of Ukraine, management expects the higher inflationary impact on rentals and service charges through to 2023 to be easily absorbed by tenants. It is expected that real GDP and consumption growth in Romania will endure during this period, and that long-term growth in Romania and other CEE countries will continue to remain robust and significantly surpass growth in Western European countries for the foreseeable future.

20 June 2022

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