Press Release

2020 annual results

- **Consolidated revenues up 4.2% to €9.5m**
- **Good resilience in net operating cash flow, stable at €3.0m despite tenant support measures of €1.4m**
- **Decrease in portfolio value limited to 4.1% like-for-like**
- **Healthy financial position**
- **Annualised net rents at 1 January 2021 up 6.8% to €9.1m**

Paris, 26 February 2021: MRM (Euronext code ISIN FR0000060196), a real estate company specialising in retail property, today announced its results for the year to 31 December 2020. This press release follows on from the review and approval of the financial statements[1] by MRM's Board of Directors at its meeting of 25 February 2021.

François Matray, Chief Executive Officer of MRM, noted: *"MRM's diversified asset portfolio, with its emphasis on convenience and discount offerings, helped the company deliver a resilient performance in 2020 against the background of a health crisis that has particularly affected retail. While providing strong support to its tenants, MRM generated stable net operating cash flow and returned to a good letting momentum in the second half. Despite the continuing crisis, MRM is going into 2021 determined to make the most of its asset positioning and of the opportunities created by the extension of the Valentin shopping centre and remains committed to maintaining its solid financial position. MRM does not rule out the possibility of considering possible opportunities to acquire or sell assets."*

[1] The audit process has been completed and the certification reports for MRM SA parent company financial statements and consolidated Group financial statements are being prepared.

Impact of the public health crisis and measures taken

Restriction of retail activity

Retail activity was severely curtailed in 2020 by a series of lockdowns and limitations on the types of stores allowed to open, under government measures to tackle the coronavirus epidemic. In all, depending on their sector, MRM's tenants faced closure for up to 5 months.

Against this background, MRM benefited from a relatively favourable retail mix, with a large share of its revenues generated by dedicated food, household equipment and discount stores, along with services (more than 50% of the total, see details in Appendix 1). On average, over the year, tenants who remained open represented 83% of annualised gross rents at MRM (see details by period in Appendix 2).

Impact of tenant support measures

Faced with the scale of the economic impact of health measures for retailers, MRM put in place measures to support those of its tenants obliged by law to close their stores, or whose activity levels deteriorated significantly over lockdown periods.

Rent write-offs and the counterparts negotiated were discussed with tenants on a case-by-case basis. This resulted in total rent receivables of €1.4 million being written off in 2020, of which €1.0 million granted in respect of the first lockdown (between mid-March and mid-May) and €0.4 million came in provisions for the second lockdown (in November). This represents around 1.7 months of rent invoiced in 2020 across the portfolio.

Having deferred the recovery of rent and expenses relating to April and May 2020 from all tenants obliged to close their businesses during the first lockdown, MRM reintroduced the process of recovery when due from the third quarter. In all, after taking account of rent write-off agreements already signed with tenants, the rate of recovery of rent due in 2020 was 90% at 31 December 2020.

Initiatives to support MRM's liquidity

In May 2020, given the uncertainty relating to the duration of the health crisis and its impact on activity levels, MRM's Board of Directors decided to cancel the proposed pay-out in respect of the 2019 financial year. Whilst MRM is in a healthy financial position, with borrowing under control, the Board took this decision for caution's sake, considering that it was in the best interests of the Company and its stakeholders.

In addition, MRM reached agreement in June 2020 with its main banking partner to extend by six months, until June 2022 and June 2023 respectively, the maturity of two loans representing 80% of its total bank debt. Under this agreement, the contractual amortization payments scheduled for 2nd and 3rd quarters 2020, representing a total of €1.2 million, were deferred until the last two quarters before the new maturity dates of each of the two lines.

Dynamic local activity levels despite the crisis

Letting activity, which came to a virtual halt during the first lockdown, restarted from June 2020. A total of 19 new leases[2] were signed in 2020, representing annual rent of €1.0 million. New leases mainly concerned discount brands, which drive footfall, and stores enhancing the brand mix:

- The discount brand Action, which in the 4th quarter took occupancy of a 1,100 sqm store in the extension to the Valentin shopping centre near Besançon, opened its 3rd store in the MRM portfolio;

[2] New or renewed leases, excluding contracts renegotiated as part of measures to support tenants

- A store specialising in stock clearance took a mid-sized unit of 3,300 sqm in Aria Parc near Allonnes on a short-term lease;
- Crescendo, a fast-food specialist, will open its doors in the Valentin shopping centre in the 2nd quarter of 2021;
- V&B, wine merchant and bar, moved into Passage du Palais in Tours in the 4th quarter of 2020.

After the 6-point decrease in the 1st half of 2020, the physical occupancy rate rose over the course of the 2nd half, reaching 87% by the end of the year. Excluding space at the Valentin shopping centre extension, it was 89% compared with 88% in 31 December 2019. The financial occupancy rate was 84%, or 88% excluding space at the Valentin extension, compared with 87% in 31 December 2019.

Limited decrease in portfolio value

€ million	**31.12.2020**	31.12.2019	*Change*	*Change like-for-like*
Portfolio value excl. transfer taxes	**161.0**	168.1	*-4.2%*	*-4.1%*

The total value of the portfolio was €161.0 million at 31 December 2020, a decline of 4.1% on a like-for-like basis compared with end-December 2019, with a mixed picture across individual assets. On average, appraisers' assumptions applied higher capitalisation rates together with increases in letting periods for vacant space and in rent-free periods for tenants. After taking account of the disposal[3] in October 2020 of a small vacant retail property, the value of the portfolio decreased by 4.2%.

Capital expenditure in 2020 was €3.1 million, relating mainly to the completion of works to extend the Valentin shopping centre by 2,600 sqm. This took the total gallery floor space to 6,700 sqm, which is 78% let. Including agreements that have been negotiated but not yet signed, this figure rises to 87%. The first of the new tenants, including Action, moved in during the 4th quarter. Delivery of the remaining floor space will be spread until June 2021, as a function of letting and public health conditions. Work on car parks and tree planting will be completed by mid-2021.

Growth in net rental income

Consolidated revenue in 2020, corresponding to billed gross rents, was only marginally affected by tenant support measures, which resulted in total write-offs of rent receivables of €1.4 million. The accounting treatment of these measures, which varies by case, is as follows:

- Rent write-offs granted during the 1st lockdown period and accompanied by counterparts changing lease terms[4] represent €0.3 million; their impact on gross rental income is spread over the committed duration of leases. This represented a negative impact of €49,000 in 2020, then between €30,000 and €60,000 per year between 2021 and 2028;
- Rent write-offs granted during the 1st lockdown period not accompanied by counterparts changing lease terms represent €0.7 million, which was recognised in operating expenses for 2020;

[3] Sold for €0.2 million excluding transfer taxes
[4] Counterparts modifying the terms of leases in the sense of IFRS 16 (e.g. extension of lease duration, or waiver of termination rights at the next break option date)

- Lastly, support measures in the 2nd lockdown period, estimated at €0.4 million in rent write-offs, were covered by a provision for impairment of trade receivables which was also recognised as an operating expense in 2020.
- The tax credit measures announced by the government did not give rise to any provisions in MRM's financial statements at 31 December 2020.

€ million	**2020**	2019	*Change*
Gross rental income	**9.5**	9.1	***+4.2%***
Non-recovered property expenses	(1.8)	(1.8)	*+3.8%*
Net rental income	**7.7**	7.3	***+4.3%***

Consolidated revenue for 2020 was €9.5 million, an increase of 4.2% on 2019. This increase in **gross rental income** was mainly the result of new leases signed in 2019 and 2020 and, to a lesser extent, the positive effect of indexation.

After taking account of €1.8 million in non-recovered property expenses, **net rental income** increased by 4.3% to €7.7 million, from €7.3 million in 2019.

Stable operating income before disposals and change in fair value

Operating expenses were reduced by 7.7% in 2020.

Provisions were €1.3 million. This figure included €0.6 million relating to tenant support measures, including €0.2 million in rent write-offs relating to the 1st lockdown period not yet formalised at 31 December 2020, and an estimated €0.4 million for the 2nd lockdown period.

Write-offs of rent receivables relating to the 1st lockdown period that did not result in any change to lease terms were recognised for €0.5 million in other operating expenses.

In addition, MRM notes that in 2019 the non-opening of the 3,300 sqm mid-sized store in Allonnes resulted in recognition of income corresponding to the contractual penalties charged to the tenant, which was offset by a provision against impairment of the corresponding receivable. An amicable lease termination agreement was signed in January 2020 with a write-off of the contractual penalties and payment to MRM of a termination compensation. As a result, figures for 2020 include the recognition of the contractual penalties as a loss that is fully offset by the reversal of the impairment provision.

In all, **operating income before disposals and change in fair value** was €3.8 million, a decrease of 0.9%.

After taking account of capital expenditure for the year, the decrease in appraisal value resulted in a negative change in fair value of the portfolio of €10.0 million, compared to an positive change of €0.8 million in 2019.

Net financial expense was stable at €1.4 million.

As a result, the **consolidated net loss** for 2020 was €7.2 million, from a consolidated net profit of €3.2 million in 2019.

A condensed income statement is included in the appendix.

Good performance in net operating cash flow[5] stable despite tenant support measures

€ million	**2020**	2019	*Change*
Net rental income	**7.7**	7.3	*+4.9%*
Tenant support measures	**(1.4)**	-	
Operating expenses	**(2.3)**	(2.5)	*-7.7%*
Other operating income and expenses	**(0.2)**	(0.7)	
EBITDA	**3.8**	4.2	*-9.8%*
Net gains/(losses) on disposal of assets	**0.4**	-	
Net cost of debt	**(1.2)**	(1.2)	*0.0%*
Net operating cash flow	**2.95**	2.96	*-0.4%*

Despite an increase in net rental income and a decrease in operating expenses, **EBITDA** was 9.8% lower at €3.8 million, under the effect of rent receivable write-offs of €1.4 million.

The payment in 2020 of the balance of the sale price of the Urban building gave rise to a disposal gain of €0.4 million. The net cost of debt was stable at €1.2 million.

Total **net operating cash flow** was stable relative to 2019, at €2.95 million.

Healthy financial position

Gross debt was €76.8 million at 31 December 2020, from €77.1 million at end-2019.

Under the agreement reached with its main banking partner in June 2020, the next significant debt repayment date for MRM has been deferred to June 2022.

At 31 December 2020, 91% of its debt carried a fixed rate, with an average cost of 158 bp in 2020, stable relative to 2019.

At end-December 2020, MRM held **cash and cash equivalents** of €10.2 million from €12.3 million at 31 December 2019. The net LTV ratio was 41.4% vs. 38.6% a year earlier.

Given net operating cash flow generated over the course of the year (€3.0 million) and the negative change in fair value of the portfolio (€10.0 million), **EPRA NDV**[6] was €93.1 million (€2.13/share), from €100.3 million (€2.30/share) at end-December 2019 (see table in Appendix).

[5] Net operating cash flow = consolidated net income before tax adjusted for non-cash items.
[6] EPRA Net Disposal Value (EPRA NDV) - Liquidation NAV which reflects the shareholder's share of net assets in the event of disposal. This indicator replaces the previous EPRA NNNAV.

Outlook

Current conditions continue to be shaped by the health crisis and government measures restricting retail activity. Under a decree of 30 January 2021, shopping centres of over 20,000 sqm have, since that date, only been open to allow access to food stores and pharmacies. Within the MRM portfolio, only the Valentin shopping centre is affected by this measure. Thus, MRM tenants currently open for business represent 70% of the rental base[7].

For the year as a whole in 2021, MRM has set itself the following priorities:

- Letting of available space;
- Completion of the delivery of the Valentin shopping centre extension and outdoor works (car parks, planting) by June 2021;
- Preparation for refinancing of the bank debt falling due in June 2022;
- Deployment of the Climate Plan adopted by the company, with particular attention paid to reducing energy consumption.

MRM maintains its target of total annualised net rents in excess of €10 million, assuming a physical occupancy rate of 95%. This target is based on the current portfolio excluding acquisitions and disposals.

At the same time, in order to prepare the company's future, MRM will review acquisition and disposal opportunities, paying particular attention to sector trends (search for convenience and meaning in the act of purchase, development of digital and online sales) which were already present and which have accelerated since the onset of the health crisis.

MRM's Board of Directors has decided to defer its decision concerning a possible proposal for a distribution to shareholders with respect to fiscal year 2020 until May, when it will have better visibility on the evolution of the health situation and the resumption of businesses.

Calendar

Financial information for the 1st quarter of 2021 will be published before the market opens on 6 May.

The General Meeting of Shareholders, called to approve the financial statements for fiscal year 2020 and originally scheduled for 27 May 2021, will be held on 24 June.

About MRM

MRM is a listed real estate investment company that owns and manages a portfolio of retail properties across several regions of France. Its majority shareholder is SCOR SE, which owns 59.9% of share capital. MRM is listed in Compartment C of Euronext Paris (ISIN: FR0000060196 - Bloomberg code: MRM:FP – Reuters code: MRM.PA). MRM opted for SIIC status on 1 January 2008.

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[7] Calculation based on annualised gross rents at 1 January 2021

Appendix 1: Retail mix

Sector breakdown (CNCC classification) as % of annualised gross rents	**31.12.2020**
Household equipment excluding Discount	17%
Discount Household equipment	13%
Food	11%
Services	10%
Culture, gifts and leisure	8%
Health	4%
Foodservice	9%
Recreation (fitness)	6%
Personal goods	7%
Beauty	3%
Offices	8%
Logistics	3%

Appendix 2: Agenda of closures and legal restrictions

MRM tenants' openings per period as % of annualised gross rents		**31.12.2020**
1 January / 17 March 2020		100%
18 March / 11 May	Opening limited to "strictly essential" stores	27%
12 May / 30 June	Restaurants remain closed	93%
1 July / 29 October		100%
30 October / 27 November	Opening limited to "essential" stores	53%
28 November / 31 December	Restaurants and fitness centres remain closed	86%
2020 average		**83%**
1 January / 30 January 2021	Restaurants and fitness centres remain closed	86%
Since 31 January	Closure of centres >20,000 sqm (usable area), with access to food and pharmacy stores Restaurants and fitness centres remain closed	70%

Appendix 3: Simplified IFRS income statement

€m	2020	2019
Net rental income	**7.7**	7.3
Operating expenses	(2.3)	(2.5)
Net reversals of provisions and impairment	0.6	(1.8)
Other operating income and expenses	(2.2)	0.7
Operating income before disposals and change in fair value	**3.8**	3.9
Net gains/(losses) on disposal of assets	0.4	(0.1)
Change in fair value of properties	(10.0)	0.8
Operating income	**(5.8)**	4.6
Net cost of debt	(1.2)	(1.2)
Other financial income and expense	(0.2)	(0.2)
Net income before tax	**(7.2)**	3.2
Tax	-	-
Consolidated net income	**(7.2)**	3.2

Appendix 4: 4th quarter revenues

€m	Q4 2020	Q4 2019	*Change*
Gross rental income	**2.43**	2.30	*+5.6%*

Appendix 5: Simplified IFRS balance sheet

€m	31.12.2020	31.12.2019
Investment properties	161.0	167.9
Assets held for sale	-	0.2
Current receivables and other assets	8.2	7.6
Cash and cash equivalents	10.2	12.3
Total assets	**179.4**	188.0
Equity	93.9	101.1
Bank debt	76.8	77.1
Other debt and liabilities	8.7	9.8
Total equity and liabilities	**179.4**	188.0