The Company's position at December 31, 2017 and January 31, 2018 was as follows:

	12/31/2017	01/31/2018
Number of treasury shares in portfolio	171,961	202,115
Percentage of share capital held directly or indirectly as treasury shares	0.19%	0.22%
Number of shares canceled during the last 24 months	0	0
Book value of the portfolio (in millions of euros)	2.9	3.6
Market value of the portfolio (in millions of euros)(1)	3.2	3.7

(1) Value in millions of euros based on the December 29, 2017 closing price of Euro 18.445 and the January 31, 2018 closing price of Euro 18.320.

Mercialys has no open positions in derivative products. The 202,115 treasury shares held on January 31, 2018 were allocated as follows:

- 157,688 shares for use in connection with the liquidity contract;
- 44,427 shares for use in all the Company stock option plans, savings schemes or in the allocation of bonus shares to officers and employees of the Company and related companies.

7.1.2.3 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL

At the Annual General Meeting of April 26, 2018, shareholders will be asked to renew the Board of Directors' authorization to purchase, directly or indirectly, shares in the Company pursuant to articles L. 225-209 *et seq.* of the French Commercial Code, articles 241-1 to 241-5 of the general Regulation of the AMF, and the European regulations applicable to market abuse (specifically European regulations no. 596/2014 of April 16, 2014 and no. 2273/2003 of December 22, 2003), in order:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently on behalf of the Company, in connection with a liquidity contract compliant with a code of conduct recognized by the AMF;
- to implement any Company stock option plan, under the provisions of articles L. 225-177 *et seq.* of the French Commercial Code, any savings scheme in accordance with articles L. 3332-1 *et seq.* of the French Employment Code or any allocation of bonus shares under the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code, or any other scheme for payment in shares;
- to deliver these shares when the rights attached to negotiable securities conferring a right to shares are exercised by reimbursement, conversion, exchange, the presentation of a warrant or debt security convertible or exchangeable into shares of the Company, or by any other means that confers a right to shares of the Company;
- to keep them with a view to subsequently using them as payment or exchange in connection with, or following, any external growth transaction within the limit specified by article L. 225-209, paragraph 6 of the French Commercial Code;
- to cancel all or part of them in order to optimize net earnings per share in connection with a share capital reduction in the manner specified by law;
- to conduct any further market practice authorized by the AMF and generally to carry out any transaction compliant with applicable regulations.

These shares may be acquired, sold, transferred, or exchanged by any means, including on the regulated market or over the counter and by block trade transactions. These means include the use of any derivative financial instrument traded on a regulated market or over the counter and the implementation of options strategies in the manner authorized by the competent market authorities, provided that such means do not contribute to a significant increase in share volatility. The shares may also be loaned, pursuant to articles L. 211-22 *et seq.* of the French Monetary and Financial Code.

The purchase price of the shares shall not exceed Euro 25 (excluding purchase costs) per share with a par value of Euro 1 (one).

This authorization may be implemented within the limit of a number of shares representing 10% of the Company's share capital on the date of this Annual General Meeting, *i.e.* for information 9,002,801 shares on the basis of the capital at January 31, 2018, net of 202,115 treasury shares, for a maximum sum of Euro 225 million, on the understanding that when the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account to calculate the 10% threshold specified above, will correspond to the number of those purchased shares, after deducting the number of shares resold under the liquidity agreement during the authorization period.

However, the number of shares purchased by the Company to be kept and subsequently used as payment or exchange in connection with an external growth transaction may not exceed 5% of the share capital. Purchases made by the Company may not, under any circumstances, result in the Company holding at any time whatsoever, more than 10% of the shares making up its share capital.

The authorization granted to the Board of Directors will be valid for a period of 18 months. It terminates and replaces the authorization previously granted by the eighteenth resolution of the Annual General Meeting of April 27, 2017.

In the event of a public tender offer relating to the shares, securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments regarding the delivery of securities, particularly in connection with bonus share award plans or strategic transactions undertaken and announced before the launch of the public offer.

The Combined Ordinary and Extraordinary General Meeting of April 27, 2017 renewed the authorization granted to the Board of Directors to reduce the Company's share capital by the cancellation of treasury shares. This authorization is valid for a period of 26 months, *i.e.* until June 26, 2019.

7.1.3 Dividend policy

On November 24, 2005, Mercialys elected to be taxed under the regime applicable to *Sociétés d'Investissements Immobiliers Cotées* (SIICs).

As a SIIC, Mercialys is exempt from corporate income tax on its rental revenues and on capital gains generated from the sale of real estate assets or some holdings in real estate companies. In return for this tax exemption, SIICs must distribute to their shareholders at least 95% of the exempt income generated from property leasing and sub-leasing transactions. Similarly, SIICs must distribute at least 60% of the exempt income generated from the sale of any property and interests in property companies. Dividends from subsidiaries subject to corporate tax and are covered by this tax regime must be fully redistributed.

On July 26, 2017, the Board of Directors decided to pay an interim dividend of Euro 0.41 per share on 2017 earnings. This interim dividend was paid out on October 23, 2017.

At December 31, 2017, the net income generated by Mercialys, the parent company, amounted to Euro 287.3 million, including Euro 283 million of tax-exempt income and Euro 4.3 million of taxable income.

The Board of Directors will propose to the Annual General Meeting of April 26, 2018 the payment of a dividend for 2017 of Euro 1.09 per share (including the interim dividend of Euro 0.41 per share already paid in October 2017), representing a total of Euro 100.3 million based on the number of shares outstanding at December 31, 2017, without considering the cancellation of dividends on treasury shares held at the payment date. The proposed dividend offers a return of 5.3% on the EPRA NNNAV of Euro 20.54 per share at the end of 2017.

The proposed dividend corresponds to 88% of 2017 FFO, in line with the objective announced by Mercialys (range of 85% to 95% of 2017 FFO). This corresponds to the distribution requirement under SIIC status for exempted profits from letting or sub-letting transactions on buildings, *i.e.* Euro 0.99 per share, and the balance of the 60% of exempted profits in respect of 2016 from the sale of property and interests in property companies, *i.e.* Euro 0.10 per share. Furthermore, an obligation to distribute Euro 0.13 per share corresponds to the share of 60% of the distributable profits exempted under the SIIC status in respect of 2017. This amount should be distributed no later than in 2019.

Because an interim dividend of Euro 0.41 per share has already been paid, a final dividend of Euro 0.68 per share will be paid on May 3, 2018 (ex-dividend date April 30, 2018), subject to approval by the Annual General Meeting of April 26, 2018.

For the interim dividend of Euro 0.41 per share, 100% of the amount was distributed from tax-exempt income.

Dividends taken from the tax-exempt income of SIICs do not qualify for the 40% allowance provided for in article 158-3, paragraph 2, of the French General Tax Code. Only dividends taken from the non-tax-exempt income of SIICs are eligible for this allowance.

Furthermore, social security contributions (17.2%, starting from January 1, 2018) on dividends paid to individuals resident for tax purposes in France are withheld by the paying institution. In addition, since January 1, 2013, an income tax prepayment (12.8% starting from January 1, 2018) has also been withheld on these dividends by the paying institution.