

B. Other transactions

No shares were canceled during the 24-month period from February 1, 2018 to January 31, 2020.

Between January 1, 2019 and January 31, 2020, the Company did not carry out any transactions on its own shares, other than the above-mentioned transactions.

C. Summary of transactions

The table below summarizes the transactions carried out by the Company in its own shares between January 1, 2019 and December 31, 2019 and between January 1, 2020 and January 31, 2020, and indicates the number of treasury shares held by the Company:

	Number of shares	% of capital
Number of shares held at December 31, 2018	381,424	0.41
Number of shares purchased under the liquidity agreement	2,219,474	
Number of shares sold under the liquidity agreement	(2,285,526)	
Number of shares purchased	0	
Number of shares canceled	0	
Number of bonus shares	(19,070)	
Number of shares held at December 31, 2019	296,302	0.32
Number of shares purchased under the liquidity agreement	231,803	
Number of shares sold under the liquidity agreement	(182,332)	
Number of shares purchased	0	
Number of shares canceled	0	
Number of bonus shares	0	
Number of shares held at January 31, 2020	345,773	0.38

The Company's position at December 31, 2019 and at January 31, 2020 was as follows:

	12/31/2019	01/31/2020
Number of treasury shares in portfolio	296,302	345,773
Percentage of share capital held directly or indirectly as treasury shares	0.32%	0.38%
Number of shares canceled during the last 24 months	0	0
Book value of the portfolio (in millions of euros)	3.6	4.2
Market value of the portfolio (in millions of euros) ⁽¹⁾	3.7	3.9

(1) Value in millions of euros based on the December 31, 2019 closing price of Euro 12.33 and the January 31, 2020 closing price of Euro 11.38.

Mercialys has no open positions in derivatives. The 345,773 treasury shares held at January 31, 2020 were allocated as follows:

- 329,349 shares for use in connection with the liquidity agreement;
- 16,424 shares for use in any Company stock option plans, savings schemes or in the allocation of bonus shares to executive corporate 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 Ordinary General Meeting of April 23, 2020, 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 241-7 of the General Regulation of the AMF, and the European regulations applicable to market abuse (specifically European regulations 596/2014 of April 16, 2014 and 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 agreement compliant with a Code of Ethics 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 Labor 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;
- to cancel all or part of them in order to optimize net earnings per share in connection with a capital reduction in the manner specified by law;
- for any other market practice authorized by the AMF, and more 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 seventeen (17) Euros (excluding purchase costs) per share with a par value of 1 (one) Euro.

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 8,859,143 shares on the basis of the capital at January 31, 2020, net of 345,773 treasury shares, for a maximum sum of Euro 150.6 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

7.1.3 Dividend policy

On November 24, 2005, the Company elected to be taxed under the regime applicable to *Sociétés d'Investissement Immobilier 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 tax-exempt income generated from property leasing and subletting transactions. Similarly, SIICs must distribute at least 60% of the exempt income generated from the sale of any property and equity interests in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be fully redistributed.

On July 24, 2019, the Board of Directors decided to pay an interim dividend of Euro 0.47 per share on 2019 earnings, which was paid on October 23, 2019.

In the year ended December 31, 2019, the net income generated by Mercialys, the parent company, amounted to Euro 82.6 million, of which Euro 74.7 million in tax-exempt income and Euro 7.9 million in taxable income.

The Annual General Meeting of April 23, 2020 will be asked to approve the payment of a 2019 dividend of Euro 1.15 per share (which includes the interim dividend of Euro 0.47 per share already paid in October 2019), an increase of +2.7% compared with 2018. The dividend thus represents an overall amount of Euro 105.9 million on the basis of the number of shares outstanding at December 31, 2019, without taking into account the cancellation of dividends on treasury shares at the date of payment. The proposed dividend offers a return

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 is valid for a period of eighteen months. It terminates and supersedes the authorization previously granted by the 24th Resolution of the Ordinary General Meeting of April 25, 2019.

In the event of a public tender offer relating to shares, securities or transferable securities issued by the Company, the Company may only use this authorization to satisfy its commitments to deliver securities, in the context of bonus share plans committed to and announced before the launch of the public tender offer.

The Combined Ordinary and Extraordinary General Meeting of April 25, 2019 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 24, 2021.

of 5.8% on the EPRA NNAV of Euro 20.01 per share at the end of 2019.

The proposed dividend corresponds to 85% of 2019 FFO, in accordance with the objective announced by Mercialys: a dividend within a range of 85% to 95% of 2019 FFO and at least stable compared with 2018. It corresponds to (i) the distribution obligation under the SIIC status concerning tax-exempt profits from the leasing or subletting of real estate, *i.e.* Euro 0.84 per share, (ii) 70% distribution of tax-exempt profits for 2019 from the sale of real estate and interests in real estate companies, *i.e.* Euro 0.11 per share, and finally (iii) the distribution of tax-exempt income recorded in the Company's balance sheet in the amount of Euro 0.20 per share.

Because an interim dividend of Euro 0.47 per share has already been paid, a final dividend of Euro 0.68 per share will be paid on April 29, 2020 (ex-dividend date April 27, 2020), subject to the approval of the Ordinary General Meeting of April 23, 2020.

For the interim dividend of Euro 0.47 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%) on dividends paid to individuals fiscally domiciled in France are withheld by the paying institution. In addition, since January 1, 2018, an income tax prepayment (12.8%) has also been withheld on these dividends by the paying institution.