

B. Other transactions

On October 23, 2020, the Company entered into an agreement with Oddo BHF SCA to buy back its shares in order to cover any bonus share plans, effective from October 23, 2020 up to, and including, December 31, 2020, and covering 100,000 shares.

In 2020, the Company acquired, through this investment services provider, acting independently on the Company's behalf, 100,000 shares at an average price of Euro 4.448.

Between January 1, 2021 and January 31, 2021, the Company did not carry out any transactions on its own shares, other than the above-mentioned transactions.

No shares were canceled during the 24-month period from February 1, 2019 to January 31, 2021.

C. Summary of transactions

The table below summarizes the transactions carried out by the Company on its own shares between January 1, 2020 and December 31, 2020 and between January 1, 2021 and January 31, 2021, and indicates the number of treasury shares held by the Company:

	Number of shares	% of capital
Number of shares held at December 31, 2019	296,302	0.32
Number of shares purchased under the liquidity agreement	4,078,172	
Number of shares sold under the liquidity agreement	(3,953,623)	
Number of shares purchased	100,000	
Number of shares canceled	0	
Number of bonus shares	(9,304)	
Number of shares held at December 31, 2020	511,547	0.56
Number of shares purchased under the liquidity agreement	463,114	
Number of shares sold under the liquidity agreement	(468,310)	
Number of shares purchased	0	
Number of shares canceled	0	
Number of bonus shares	0	
Number of shares held at January 31, 2021	506,351	0.55

The Company's position at December 31, 2020 and at January 31, 2021 was as follows:

	12/31/2020	01/31/2021
Number of treasury shares in portfolio	511,547	506,351
Percentage of share capital held directly or indirectly as treasury shares	0.56%	0.55%
Number of shares canceled during the last 24 months	0	0
Book value of the portfolio (in millions of euros)	3.5	3.5
Market value of the portfolio (in millions of euros) ⁽¹⁾	3.7	3.8

(1) Value in millions of euros based on the December 31, 2020 closing price of Euro 7.22 and the January 29, 2021 closing price of Euro 7.48.

Mercialys has no open positions in derivatives. The 506,351 treasury shares held at January 31, 2021 were allocated as follows:

- 399,231 shares for use in connection with the liquidity agreement;
- 107,120 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 22, 2021, shareholders will be asked to renew the Board of Directors' authorization to

purchase, directly or indirectly, shares in the Company pursuant to Articles L. 22-10-62 (formerly Article L. 225-209) et seq. of the French Commercial Code, Articles 241-1 to 241-7 of the AMF General Regulations, and the European regulations applicable to market abuse (specifically European regulations No. 596/2014 of April 16, 2014 and No. 2016/1052 of March 8, 2016), 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. 22-10-56 (formerly Article L. 225-177) et seq. of the French Commercial Code, any savings scheme in accordance with Article L. 3332-1 et seq. of the French Labor Code or any allocation of bonus shares under the provisions of Articles L. 22-10-59, L. 22-10-60 and 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 redemption, 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 share capital reduction in the manner specified by law;
- to conduct any further market practice authorized by the French financial markets authority 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 12 (twelve) (excluding purchase costs) per share with a par value of Euro 1 (one).

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 investments in real estate companies. In return for this tax exemption, SIICs must distribute to their shareholders at least 95% of the tax-exempt profits generated from property leasing and subletting transactions. Similarly, SIICs must distribute at least 70% of the tax-exempt profits generated from the sale of real estate assets or investments in real estate companies. Dividends from subsidiaries that are subject to corporate income tax and are covered by this tax regime must be paid out in full.

Mercialys' Board of Directors unanimously decided, on October 21, 2020, not to distribute an ordinary interim dividend for 2020 to preserve the Company's cash flow, given the highly uncertain nature of the health situation, marked by new restrictive measures requiring preservation of the Company's cash position.

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 8,698,565 shares on the basis of the capital at January 31, 2021, net of 506,351 treasury shares for a maximum sum of Euro 104.4 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 is valid for a period of eighteen months. It terminates and replaces the authorization previously granted by the 16th Resolution of the Ordinary General Meeting of April 23, 2020.

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. The renewal of this authorization will be proposed at the Combined Ordinary and Extraordinary General Meeting of April 22, 2021.

In the year ended December 31, 2020, the net income generated by Mercialys, the parent company, amounted to Euro 69.8 million, of which Euro 61.5 million in tax-exempt income and Euro 8.3 million in taxable income.

A dividend of Euro 0.43 per share for 2020 is proposed at the Annual General Meeting of April 22, 2021, totaling Euro 39.6 million based on the number of shares outstanding at December 31, 2020, without taking into account the cancellation of dividends on treasury shares on the payment date. The proposed dividend corresponds to 41% of 2020 FFO and offers a return of 5.9% on the 2020 annual average closing price.

This dividend proposal comprises the distribution obligation under SIIC status concerning tax-exempt profits from the leasing or subletting of real estate, it does not incorporate the 70% distribution of tax-exempt profits for the fiscal year 2020 from the disposal of real estate assets and investments in real estate companies, *i.e.* Euro 0.39 per share. This amount will have to be paid by 2022 at the latest in accordance with the requirements of the Company's status as a real estate investment trust. If the health and economic environment were to improve in 2021, the Board of Directors could decide to pay an interim dividend in the second half of 2021 that would correspond to a portion of these capital gains on disposals made in 2020.