

7.1.2 Share buyback program

7.1.2.1 Current share buyback program

The Ordinary General Meeting of April 27, 2023 authorized the Board of Directors to purchase or arrange for the purchase of Company shares in accordance with the provisions of Articles L. 22-10-62 *et seq.* of the French Commercial Code, Articles 241-1 to 241-7 of the General Regulation of the French Financial Markets Authority (AMF), and European regulations on market abuse, specifically Regulations (EU) 596/2014 of April 16, 2014 and 2016/1952 of March 8, 2016.

Objectives of the share buyback program:

The objectives of the share buyback program authorized by the General Meeting of April 27, 2023 are:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently in the name and on behalf of the Company, in connection with a liquidity agreement compliant with a Code of Ethics recognized by the French Financial Markets Authority (AMF);
- to implement any Company stock option plan, under the provisions of Articles L. 225-177 *et seq.* and L. 22-10-56 *et seq.* of the French Commercial Code, any savings plan 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. 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 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 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.

Buyback terms and conditions:

The acquisition, sale, transfer or exchange of these shares may be carried out, on one or more occasions, by any means, in particular, by trading on the regulated market, through multilateral trading facilities or over-the-counter (OTC), including by block transaction. 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.

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

Maximum buyback price:

The purchase price of the shares shall not exceed Euro 16 (sixteen) (excluding acquisition costs) per share with a par value of Euro 1 (one) each.

Maximum share of capital:

This authorization may be implemented up to a maximum number of shares representing 10% of the Company's share capital as at the date of the General Meeting of April 27, 2023, 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 mentioned above shall correspond to said number of 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.

7.1.2.2 Transactions carried out in 2023

A. Liquidity agreement

In an effort to increase the liquidity of the Group's shares and ensure share price stability, as well as to avoid large fluctuations in the Company's share price unwarranted by market trends, the Company entered into a liquidity agreement with Oddo Corporate Finance on February 20, 2006. This agreement complies with the French Financial Markets Association's (AMAFI) Code of Ethics approved by the French Financial Markets Authority (AMF) on October 1, 2008. The Company allocated Euro 1.6 million to a liquidity account to implement this liquidity agreement.

The Company added Euro 800,000 to the liquidity account on January 20, 2009, a further Euro 3 million on March 9, 2009, and Euro 6 million on May 25, 2009, bringing the total sum allocated to Euro 11.4 million. On December 5, 2011, the Company decided to make a partial withdrawal of Euro 3.4 million, reducing the amount allocated to the liquidity agreement from Euro 11.4 million to Euro 8 million.

On September 9, 2019, the Company entered into a new liquidity agreement, effective retroactively from January 2, 2019, with Oddo BHF SCA. This new liquidity agreement, established following changes in regulations relating to liquidity agreements and in accordance with the French Financial Markets Authority (AMF) Decision No. 2018-01 of July 2, 2018, replaces the previous agreement signed on February 14, 2006. For the implementation of the new agreement, the Company allocated 345,930 shares and Euro 2,389,808.95 to the liquidity account. The fixed amount paid under this agreement, which includes trading costs, amounted to Euro 42,000 excluding taxes for the 2023 fiscal year.

During the 2023 fiscal year, 4,176,307 Mercialis shares were purchased at an average price of Euro 8.90 each, and 4,186,581 Mercialis shares were sold at an average price of Euro 8.96 each. At December 31, 2023, the liquidity account contained 276,615 shares and Euro 3,786,986.04.

B. Other transactions

On September 4, 2023, the Company appointed Oddo BHF SCA to buy back its shares in order to cover any bonus share plans, with effect from September 4, 2023 to September 7, 2023 inclusive and covering 123,000 shares.

Thus, in 2023, the Company acquired, through this investment service provider, acting independently in the name and on behalf of the Company, 123,000 shares at an average price of Euro 8.825.

No shares were canceled during the 24-month period from January 1, 2022 to December 31, 2023.

C. Summary of transactions

The table below summarizes the transactions carried out by the Company on treasury shares between January 1, 2023 and December 31, 2023 and indicates the number of treasury shares held by the Company:

	Number of shares	% of capital
Number of shares held at December 31, 2022	600,230	0.64
Number of shares purchased under the liquidity agreement	4,176,307	
Number of shares sold under the liquidity agreement	(4,186,581)	
Number of shares purchased	123,000	
Number of shares canceled	0	
Number of bonus shares	(104,567)	
Number of shares held at December 31, 2023	608,389	0.65

The Company's position at December 31, 2023 was as follows:

	12/31/2023
Number of treasury shares in portfolio	608,389
Percentage of share capital held directly or indirectly as treasury shares	0.65%
Number of shares canceled during the last 24 months	0
Book value of portfolio (€M)	5.3
Market value of the portfolio (€M) ⁽¹⁾	6.1

⁽¹⁾ Value calculated in millions of euros on the basis of the closing price on December 31, 2023, i.e. Euro 9.945.

Mercialys has no open positions in derivatives. The 608,389 treasury shares held at December 31, 2023 were allocated as follows:

- 276,615 shares for use in connection with the liquidity agreement;
- 313,774 shares for use in any savings plan or bonus share plans for executive corporate officers and employees of the Company and related companies.

7.1.2.3 Description of the Company's share buyback program submitted for shareholder approval

At the Ordinary General Meeting of April 25, 2024, shareholders will be asked to renew the Board of Directors' authorization to purchase or arrange for the purchase of Company shares pursuant to Articles L. 22-10-62 *et seq.* of the French Commercial Code, Articles 241-1 to 241-7 of the General Regulation of the French Financial Markets Authority (AMF), and European regulations on market abuse, specifically Regulations (EU) 596/2014 of April 16, 2014 and 2016/1052 of March 8, 2016.

Objectives of the share buyback program:

The objectives of the share buyback program that will be submitted to the General Meeting of April 25, 2024 are:

- to maintain liquidity and stimulate the market for the Company's shares through an investment services provider acting independently in the name and on behalf of the Company, in connection with a liquidity agreement compliant with a Code of Ethics recognized by the French Financial Markets Authority (AMF);
- to implement any savings plan in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code or any bonus share plans pursuant to 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 share-based compensation scheme;
- to deliver them upon the exercise of rights attached to securities giving access to the Company's share capital;
- 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.

Buyback terms and conditions:

The acquisition, sale, transfer or exchange of these shares may be carried out, on one or more occasions, by any means, in particular, by trading on the regulated market, through multilateral trading facilities or over-the-counter (OTC), including by block transaction. These means include the use of any derivative financial instrument and the implementation of options strategies in accordance with the conditions authorized by the relevant market authorities.

In the event of a public offer relating to shares, securities or marketable 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 offer.

Maximum buyback price:

The purchase price of the shares shall not exceed Euro 16 (sixteen) (excluding acquisition costs) per share, with a par value of Euro 1 (one) each.

Maximum share of capital:

This authorization may be implemented up to a maximum number of shares representing 10% of the Company's share capital, taking into account transactions affecting it subsequent to the date of this General Meeting, *i.e.* 9,388,650 shares based on the share capital at December 31, 2023, for a maximum amount of Euro 150.2 million. When

the Company's shares are purchased under a liquidity agreement, the number of these shares taken into account when calculating the 10% threshold mentioned above will correspond to the number of these shares purchased, net of the number of shares resold under the liquidity agreement during the authorization period. However, the number of shares acquired by the Company with a view to retaining them and subsequently delivering them as payment or exchange as part of a merger, spin-off or contribution 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.

Duration of the buyback program:

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 General Meeting of April 27, 2023.

Cancellation of shares:

The Ordinary and Extraordinary General Meeting of Shareholders held on April 27, 2023 renewed the authorization granted to the Board of Directors to reduce the Company's share capital through the cancellation of treasury shares. This authorization, granted for a period of 26 months, is valid until June 26, 2025.

7.1.3 Dividend distribution policy

On November 24, 2005, the Company elected to be taxed under the regime applicable to *listed real estate investment trusts* (REITs).

As a REIT, Mercialis is exempt from corporate 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, REITs must distribute to their shareholders at least 95% of the tax-exempt profits generated from property leasing and subletting transactions. Similarly, REITs 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 tax and are covered by this tax regime must be paid out in full.

At December 31, 2023, the net income generated by Mercialis, the parent company, amounted to Euro 17.8 million, of which Euro 12.4 million in tax-exempt income and Euro 5.4 million in taxable income.

A dividend of Euro 0.99 per share for the 2023 fiscal year will be proposed at the General Meeting of April 25, 2024, for a total amount of Euro 92.6 million based on the number of shares outstanding at December 31, 2023, without taking into account the cancellation of dividends on treasury shares on the payment date. The proposed dividend corresponds to 85% of the recurring net income for 2023 and offers a yield of 9.9% on the closing price at December 31, 2023.

This dividend proposal comprises the distribution obligation under REIT status concerning tax-exempt profits from:

- the leasing or subletting of properties (including dividends paid by subsidiaries subject to the REIT regime), *i.e.* Euro 0.86 per share;
- the distribution of tax-exempt income recorded in the Company's balance sheet in the amount of Euro 0.13 per share.

The payment of the dividend of Euro 0.99 per share would take place on May 2, 2024 (ex-dividend date being April 29, 2024), subject to approval by the Annual General Meeting on April 25, 2024.

Dividends taken from the tax-exempt profits of REITs 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 profits of REITs 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.