

INOVALIS REAL ESTATE INVESTMENT TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
March 31, 2020

(Unaudited)

Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended March 31, 2020 and 2019

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the REIT for the quarters ended March 31, 2020 and 2019 have been prepared in accordance with International Accounting Standard 34, Interim Financial reporting, and are the responsibility of the REIT's management.

The REIT's external auditors, Ernst & Young LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by chartered professional Accountants Canada for a review of the financial statements by the external auditors of an entity.

Inovalis Real Estate Investment Trust
Interim Consolidated Balance Sheets
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

Assets	Note	As at March 31, 2020	As at December 31, 2019
Non-current assets			
Investment properties	5	512,023	478,700
Investments in joint ventures	7	91,666	100,782
Derivative financial instruments	-	-	10
Restricted cash	-	4,970	4,705
Total non-current assets		608,659	584,197
Current assets			
Trade receivables and other financial assets	-	4,624	4,437
Derivative financial instruments	-	10,462	10,828
Acquisition loan	-	26,638	24,744
Other current assets	-	3,304	2,093
Restricted cash	-	515	498
Cash	-	69,366	83,409
Total current assets		114,909	126,009
Total assets		723,568	710,206
Liabilities and equity	Note	As at March 31, 2020	As at December 31, 2019
Non-current liabilities			
Interest-bearing loan	-	504	473
Mortgage loans	8	137,633	130,162
Lease liabilities	8	123,909	116,968
Lease equalization loans	-	274	343
Tenant deposits	-	2,021	1,930
Derivative financial instruments	-	4,712	2,734
Deferred tax liabilities	-	13,328	12,295
Exchangeable securities	10	1,472	2,695
Total non-current liabilities		283,853	267,600
Current liabilities			
Interest-bearing loan	-	4	4
Promissory notes	9	26,157	47,909
Mortgage loans	8	5,422	4,198
Lease liabilities	8	6,554	6,910
Lease equalization loans	-	414	1,676
Tenant deposits	-	231	577
Derivative financial instruments	-	1,974	1,494
Exchangeable securities	10	4,150	6,867
Trade and other payables	11	13,820	34,336
Deferred income	-	1,606	5,491
Total current liabilities		60,332	109,462
Total liabilities		344,185	377,062
Equity			
Trust units	-	260,490	259,526
Retained earnings	-	83,973	57,827
Accumulated other comprehensive income	13	33,628	14,591
Total Unitholders' equity		378,091	331,944
Non-controlling interest	-	1,292	1,200
Total equity		379,383	333,144
Total liabilities and equity		723,568	710,206

Subsequent events – see Note 22

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board of Trustees of Inovalis Real Estate Investment Trust:

Daniel Argiros
Chairman and Trustee

Jo-Ann Lempert
Audit Chair and Trustee

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Earnings
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars, except for per unit amounts)

	<i>Note</i>	2020	2019 Restated (Note 21)
Rental revenue	12	6,878	6,043
Property operating cost recoveries	12	1,571	2,433
Property operating costs	13	(4,171)	(5,514)
Other revenues	-	5	3
Other property operating expenses	-	(33)	(61)
Net rental income		4,250	2,904
General and administrative expenses	13	(2,242)	(1,772)
Foreign exchange gain	-	2,647	29
Net change in fair value of investment properties	5	1,702	2,319
Loss on disposal of investment properties	-	-	(100)
Share of net income from joint ventures	7	183	914
Operating earnings		6,540	4,294
Net change in fair value of financial derivatives	-	122	(921)
Net change in fair value of Exchangeable securities	10	4,307	(649)
Net change in fair value of Promissory notes	9	21,752	(3,461)
Finance income	14	2,265	2,017
Finance costs	14	(2,468)	(2,521)
Distributions on Exchangeable securities	-	(190)	(177)
Income before income taxes		32,328	(1,418)
Current income tax expense	-	(9)	(48)
Deferred income tax recovery (expense)	-	(219)	(611)
Net income		32,100	(2,077)
Net income attributable to :			
Non-controlling interest	-	12	(32)
Unitholders of the Trust	-	32,088	(2,045)
		32,100	(2,077)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Comprehensive income
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	Note	2020	2019 Restated (Note 21)
Net income for the period	-	32,100	(2,077)
Other comprehensive loss			
Items that may be reclassified subsequently to income :			
Net losses on derivatives designated as a hedge of the net investment in a foreign entity	-	(3,172)	1,137
Derivatives designated as cash flow hedges - Net gains (losses)	-	-	152
Change in cumulative translation adjustment account	-	22,289	(14,268)
Other comprehensive income (loss)		19,117	(12,979)
Total comprehensive income		51,217	(15,056)
Total comprehensive income attributable to :			
Non-controlling interest	-	92	(64)
Unitholders of the Trust	-	51,125	(14,992)
Total comprehensive income		51,217	(15,056)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statements of Changes in Equity
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non- controlling interest	Total equity
As at December 31, 2018		23,513,652	207,442	41,282	35,998	284,722	519	285,241
Distributions earned by or declared to Unitholders	15	-	-	(4,859)	-	(4,859)	-	(4,859)
Distributions under the Trust's reinvestment plan	15	69,754	676	-	-	676	-	676
Non-controlling interests on acquisition of subsidiary							892	892
Non-controlling interests on disposal of subsidiary							(389)	(389)
Capital increase from minority interest							90	90
		69,754	676	(4,859)	-	(4,199)	593	(3,606)
Net income for the three months as restated		-	-	(2,045)	-	(2,045)	(32)	(2,077)
Other comprehensive income as restated		-	-	-	(12,947)	(12,947)	(32)	(12,979)
Comprehensive income as restated		-	-	(2,045)	(12,947)	(14,992)	(64)	(15,056)
As at March 31, 2019 - Restated		23,583,406	208,118	34,378	23,051	265,531	1,048	266,579
As at December 31, 2019	17	28,742,306	259,526	57,827	14,591	331,944	1,200	333,144
Issuance costs			(16)			(16)		(16)
Distributions earned by or declared to Unitholders	15	-	-	(5,942)	-	(5,942)	-	(5,942)
Distributions under the Trust's reinvestment plan	15	104,167	980	-	-	980	-	980
		104,167	964	(5,942)	-	(4,978)	-	(4,978)
Net income for the three months		-	-	32,088	-	32,088	12	32,100
Other comprehensive income		-	-	-	19,037	19,037	80	19,117
Comprehensive income		-	-	32,088	19,037	51,125	92	51,217
As at March 31, 2020	17	28,846,473	260,490	83,973	33,628	378,091	1,292	379,383

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Cash Flows
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	<i>Note</i>	2020	2019 Restated (Note 21)
Operating activities			
Income before income taxes	-	32,328	(1,418)
Interest received	-	2,303	2,012
Interest paid	-	(1,867)	(3,654)
Income tax paid	-	(9)	(48)
Distributions in respect of exchangeable securities paid in cash	-	(158)	(173)
Adjustments for non-cash items and other reconciling items	16	(30,204)	2,991
		<u>2,393</u>	<u>(290)</u>
Working capital adjustments	16	(14,629)	2,061
Net cash flows related to operating activities		<u>(12,236)</u>	<u>1,771</u>
Investing activities			
Investment properties (additions and capitalized letting fees)	6	(221)	146
Acquisitions of subsidiary, net of cash acquired	5	2,175	(26,983)
Proceeds from sale of investment property	6	-	15,916
Loan repayments received from joint ventures	7	537	350
Increase in other financial assets	-	56	(1,510)
Decrease in financial current assets	-	-	1,845
Net cash flows related to investing activities		<u>2,547</u>	<u>(10,236)</u>
Financing activities			
Distributions to unitholders	-	(4,957)	(4,179)
Issuance unit costs	-	(16)	-
Mortgage loans net of transaction costs	8	-	14,118
Lease liabilities net of transaction costs	8	-	63,670
Repayment of mortgage loans	8	(692)	(10,533)
Repayment of lease liabilities	8	(1,452)	(52,958)
Repayment of lease equalization loans	-	(1,397)	(285)
Net cash flows related to financing activities		<u>(8,514)</u>	<u>9,833</u>
Net increase (decrease) in cash		<u>(18,203)</u>	<u>1,368</u>
Effects of foreign exchange adjustments on cash	-	4,160	(769)
Cash at the beginning of the year		<u>83,409</u>	<u>19,994</u>
Cash at the end of the year		<u>69,366</u>	<u>20,593</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Inovalis Real Estate Investment Trust
Notes to the condensed interim consolidated financial statements
March 31, 2020

Note 1 – Organization

The Inovalis Real Estate Investment Trust (the “Trust”) is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013, under the laws of the Province of Ontario, Canada. These Consolidated Financial Statements include the accounts of the Trust and its subsidiaries (together the “REIT”). The REIT’s investment property portfolio, owned directly or through joint arrangements, is comprised of office rental properties located in France and Germany.

The REIT’s head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7. The REIT’s units are listed on the Toronto Stock Exchange (“TSX”) under the symbol INO.UN.TO.

The REIT’s Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020, were authorized for issuance by the Board of Trustees on May 13, 2020.

The REIT has hired Inovalis S.A. (“Inovalis SA”), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 1 of the Annual Consolidated Financial Statements for more information about the relationship between Inovalis SA and the REIT, and to Note 18 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

Inovalis SA is considered as a related party of the REIT as they share the same management. The founder and Chairman of Inovalis S.A. is President of the REIT, the Chief Executive Officer (“CEO”) of Inovalis S.A. is also CEO of the REIT, and the Deputy Chief Executive Officer of Inovalis S.A. is Chief Investment Officer (“CIO”) and Chief Financial Officer (“CFO”) of the REIT.

Note 2 – Basis of presentation and statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

These condensed interim consolidated financial statements use the same accounting policies and methods of their application as the REIT’s most recent annual consolidated financial statements and should be read in conjunction with the 2019 audited consolidated financial statements, which have been prepared in accordance with international Financial Reporting Standards (“IFRS”), as issued by the IASB.

The condensed interim consolidated financial statements for the quarter ended March 31, 2019 have been restated to recognize an increase of 10% in the withholding tax rate used for the calculation of the deferred income tax liability following the Double Taxation Treaty (the “New Treaty”), ratified by France in March 2018 and Luxembourg on July 2, 2019, and effective as of January 1, 2020. Refer to the Note 34 of the Annual Consolidated Financial Statements for more information about the nature of the restatement, and to Note 21 – Restatement of financial results.

Note 3 – Future accounting changes

There are no significant updates to the future accounting changes disclosed in Note 5 of the annual consolidated financial statements for the year ended December 31, 2019.

Note 4 – Critical Accounting Judgments and Estimates

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the REIT's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019, except for the impact of COVID-19 as detailed below.

The recent outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these unaudited condensed interim consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting period using the best available information as of March 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the REIT considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its investments in joint ventures, the estimate of any expected credit losses on amounts receivable including loans to joint ventures and the acquisition loan receivable, and determining the fair values of derivative financial instruments, such as the call option related to the acquisition loan.

Note 5 – Investment properties

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current financial period are as follow:

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Balance, beginning of period	478,700	421,937
Capex	256	1,545
Acquisition of Trio investment properties including acquisitions costs	-	71,443
Acquisition of Arcueil investment property	-	134,005
Capitalized letting fees	(35)	274
Disposition of Vanves investment property	-	(136,330)
Rent free periods	(12)	141
Net change in fair value of investment properties	1,702	16,722
Foreign currency translation adjustment	31,412	(31,037)
Balance, end of period	512,023	478,700

Appraisal capitalization and discount rates

The fair value of investment properties is determined using recognized valuation techniques. The techniques principally used by the REIT are the Direct Capitalization Method ("DC") and the Discounted Cash Flow Method ("DCF").

On the Direct Capitalization Method, the cash generated during the term of the lease as well as the cash generated at reversion are capitalized on using the same capitalization rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Under the DCF method, a property's fair value is estimated using analysis of the future cash flow generated by the property on a 10 year period associated with a market derived discount rate and exit cap rate. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related lease up periods, reletting, redevelopment, or refurbishment. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Note 5 – Investment properties (Cont'd)

The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

	As at March 31, 2020			As at December 31, 2019		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	283,455	47,131	330,586	283,670	47,000	330,670
IFRIC 21 adjustment	1,400	-	1,400	-	-	-
Option costs	(2,031)	-	(2,031)	(2,006)	-	(2,006)
Adjusted market value in Euros	282,824	47,131	329,955	281,664	47,000	328,664
Exchange adjustment	156,061	26,007	182,068	128,580	21,456	150,036
Adjusted market value in CAD\$	438,885	73,138	512,023	410,244	68,456	478,700
Principal method used to value property						
	Direct Capitalization Method	Discounted cash flow		Direct Capitalization Method	Discounted cash flow	
Number of years used in cash flow projection		10			10	
Capital rate / discount rate	4,20% to 7,00%	5,25%		4,20% to 7,00%	5,25%	
Terminal capitalization rate	5,38%	-		5,38%	-	
Weighted average discount rate	-	5,25%		-	5,25%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	(20,099)	(3,324)	(23,423)	(18,793)	(3,112)	(21,905)
a decrease of 25 bps on the cap rate and/or discount rates	22,201	3,650	25,851	20,759	3,423	24,182

Right-of-use asset

The REIT leases various investment properties with a carrying amount of \$251,703 (2019 – \$235,217) under leases expiring in less than 7 years (2019: 8 years).

Note 6 – Acquisitions and sales of investment properties**Transactions that occurred in 2019****Trio**

The REIT, through a controlled subsidiary, together with a company controlled by Inovalis SA, acquired on March 27, 2019 a property ("Trio property") located near Frankfurt, for approximately €45,755 (\$69,090). The Trio property is financed by a new senior bank loan of €31,200 (\$47,112) bearing interest at a fixed rate of 1.56%. Pursuant to the loan agreement, a €2,700 (\$4,077) reserve for capital expenditures was established and is considered restricted cash. The REIT owns 94.1% of the subsidiary and the company controlled by Inovalis SA owns 5.1% of the subsidiary.

The REIT has elected to apply the "concentration test" authorized by the amendment to IFRS 3. As the fair value of the acquired gross assets is substantially concentrated in the Trio property, the transaction has been qualified as an acquisition of assets. As a consequence, the cost of such an acquisition of €47,430 (\$71,619), includes transaction costs for €1,675 (\$2,529).

Note 7 – Investments in joint ventures

Outlined below is a breakdown of the carrying amounts of the components of the investments in joint ventures:

	CCD	Walpur	Arcueil ²	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance -December 31, 2018	20,574	9,376	15,573	982	16,455	8,753	15,464	10,427	97,604
Share of net income (loss) from investments ¹	7,273	800	(105)	41	2,700	332	5	736	11,782
Loan to joint ventures repayments	-	-	-	-	(451)	-	(922)	(350)	(1,723)
Exchange differences	(1,551)	(658)	(1,052)	(68)	(1,173)	(606)	(1,042)	(731)	(6,881)
Balance -December 31, 2019	26,296	9,518	14,416	955	17,531	8,479	13,505	10,082	100,782
Share of net income (loss) from investments ¹	(147)	86	(17)	1	133	(127)	82	172	183
Loan to joint ventures repayments	-	-	-	-	(191)	-	(188)	(158)	(537)
Exchange differences	1,714	628	6	63	1,144	549	879	660	5,643
Acquisition of control			(14,405)						(14,405)
Balance - March 31, 2020	27,863	10,232	-	1,019	18,617	8,901	14,278	10,756	91,666

- (1) The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to \$ 984 (2019 – \$ 1,311) and are included in “Finance income” (see note 14).
- (2) On January 18, 2020, the REIT became the only shareholder of the Arcueil joint venture following the repurchase of the 75% share interest owned by the other partner and began consolidating this entity.

The balance of investments in joint ventures as at March 31, 2020 includes loans to joint ventures for an amount of \$ 47,771 which is detailed as follows:

Loans to joint ventures	CCD	Walpur	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance - March 31, 2020	15,446	5,121	819	12,105	8,901	3,373	2,006	47,771
Balance -December 31, 2019	14,497	4,806	769	11,550	8,479	3,350	2,038	45,489
Maturity date	06/30/2020	06/30/2020	11/06/2024	05/30/2023	08/31/2022	12/29/2023	12/31/2023	
Interest rate	10%	8.75%	10.50%	6.50%	9%	8.70%	6.50%	

Arcueil

On January 22, 2020, the REIT acquire control of the investment in the Arcueil joint venture after the joint venture repurchase the shares representing a 75% ownership in the Arcueil joint venture in accordance with the agreement signed between the two investors following the REIT's acquisition of the Arcueil property on December 18, 2019.

Note 8 – Mortgage loans, lease liabilities and interest-bearing loan

Mortgage loans, leases liabilities and interest-bearing loan payable consist of the following:

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of \$)	Interest rate	Maturity	As at March 31, 2020		
					Total	Non-current	Current
Mortgage loan - Jeûneurs SCI	28,168	43,711	Euribor 3M + 1.75%	26/10/2027	43,736	41,909	1,827
Mortgage loan - Véronèse SCI	8,135	12,624	Euribor 3M + 1.90%	21/03/2031	12,432	11,499	933
Mortgage loan - Sablière SCI	11,880	18,435	Euribor 3M + 1.59%	23/12/2025	18,369	17,440	929
Mortgage loan - Cancorp Trio	31,200	48,416	1.56%	15/03/2024	47,614	46,942	672
Mortgage loan - Baldi SCI	13,434	20,847	Euribor 3M + 1.75%	26/10/2027	20,904	19,843	1,061
Mortgage loans	92,817	144,033			143,055	137,633	5,422
Lease liabilities - Lenine Arcueil SCI	41,511	64,417	Euribor 3M + 2.20%	08/07/2027	67,635	62,921	4,714
Lease liabilities - Métropolitain SCI	41,498	64,397	Euribor 3M + 1.84%	18/03/2031	62,828	60,988	1,840
Lease liabilities	83,009	128,814			130,463	123,909	6,554
Total mortgage loans and lease liabilities	175,826	272,847			273,518	261,542	11,976

Note 8 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of \$)	Interest rate	Maturity	As at December 31, 2019		
					Total	Non-current	Current
Mortgage loan - Jeûneurs SCI	28,168	41,027	Euribor 3M + 1.75%	26/10/2027	40,769	39,631	1,138
Mortgage loan - Véronèse SCI	8,476	12,345	Euribor 3M + 1.75%	05/05/2019	12,158	11,011	1,147
Mortgage loan - Sablière SCI	12,015	17,500	Euribor 3M + 1.59%	23/12/2025	17,432	16,659	773
Mortgage loan - Cancorp Trio	31,200	45,443	Euribor 3M + 1.75%	26/10/2027	44,515	44,060	455
Mortgage loan - Baldi SCI	13,434	19,567			19,486	18,801	685
Mortgage loans	93,293	135,882			134,360	130,162	4,198
Lease liabilities - Lenine Arcueil SCI	42,093	61,308	Euribor 3M + 2.00%	20/06/2026	64,493	59,301	5,192
Lease liabilities - Metropolitan SCI	41,801	60,883	Euribor 3M + 1.85%	20/03/2028	59,385	57,667	1,718
Lease liabilities	83,894	122,191			123,878	116,968	6,910
Total mortgage loans and lease liabilities	177,187	258,073			258,238	247,130	11,108

The aggregate principal repayments and balances maturing on the mortgages payables, together with weighted average contractual rate on debt maturing in the year indicated, are as follows:

	As at March 31, 2020		As at December 31, 2019	
	Carrying value	Minimum payments	Carrying value	Minimum payments
Within 1 year	5,422	8,312	4,198	6,941
After 1 year, but not more than 5 years	66,337	75,450	61,955	70,637
More than 5 years	71,296	76,935	68,207	74,041
	143,055	160,697	134,360	151,619
Less : future interest costs		(17,642)		(17,259)
Total mortgage loans	143,055	143,055	134,360	134,360

The aggregate principal repayments and balances maturing on the lease liabilities, together with weighted average contractual rate on debt maturing in the year indicated, are as follows:

	As at March 31, 2020		As at December 31, 2019	
	Carrying value	Minimum lease payments	Carrying value	Minimum lease payments
Within 1 year	6,554	8,834	6,910	8,168
After 1 year, but not more than 5 years	27,062	35,264	27,523	32,347
More than 5 years	96,847	104,224	89,445	95,458
	130,463	148,322	123,878	135,973
Less : future interest costs		(17,859)		(12,095)
Total lease liabilities	130,463	130,463	123,878	123,878

Note 9 – Promissory notes

The REIT entered into three private placements in the form of Euro denominated interest bearing promissory notes (“Note 1”, “Note 2”, “Note 3” and collectively the “Promissory Notes”) through its subsidiary CCE to a single non-Canadian investor (the “Investor”) as summarized below. The REIT incurred issuance fees of 3% and may incur financing fees equal to the product of the amount of the monthly distribution payable on a REIT Unit that exceeds a stated amount (the “Distribution Threshold”) and the Equivalent REIT Units. CCE has the option to repay all or any portion of the promissory notes following the first anniversary of the issue date of each promissory note.

Promissory notes are a liability recorded at fair value based on the market price of the REIT Units. Due to the decrease in the REIT’s unit price, the fair value of the Promissory Notes (including the Put Option and Call Option) present a reduction and is estimated at \$ 26,157 as at March 31, 2020 (December 31, 2019 - \$ 47,909). The variance for the quarter is a profit of \$ 21,793 and it is presented in net change in fair value of promissory notes.

Note 9 – Promissory notes (Cont'd)

Promissory Notes were issued as follows:

	As at March 31, 2020				
	Principal (in 000's of €)	Principal (in 000's of \$)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	13,377	8.18%	1,282,190	7,462
Notes 2	7,262	11,268	8.13%	1,091,103	6,350
Notes 3	13,584	21,080	7.95%	2,121,008	12,344
Total Promissory Notes	29,466	45,725		4,494,301	26,157

	As at December 31, 2019				
	Principal (in 000's of €)	Principal (in 000's of \$)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	12,555	8.18%	1,282,190	13,668
Notes 2	7,262	10,576	8.13%	1,091,103	11,631
Notes 3	13,584	19,786	7.95%	2,121,008	22,610
Total Promissory Notes	29,466	42,917		4,494,301	47,909

Note 10 – Exchangeable Securities

	Exchangeable securities	
Exchangeable securities issued and outstanding	Number of Exchangeable securities	Carrying amount of Exchangeable securities
Balance -December 31, 2018	844,673	7,982
Asset management fees paid in exchangeable securities	142,909	1,501
Conversion of exchangeable securities into units of the REIT	(90,500)	(792)
Net change in fair value of exchangeable securities	-	871
Balance -December 31, 2019	897,082	9,562
Asset management fees paid in exchangeable securities	68,829	367
Net change in fair value of exchangeable securities	-	(4,307)
Balance - March 31, 2020	965,911	5,622

Distribution in respect of Exchangeable Securities :

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCE equal, on a per unit basis to the distributions paid to holders of units by the REIT.

The following table breaks down distribution payments for the first quarters ended March 31 :

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Amount payable at the beginning of the year	250	250
Declared and recognized in earnings during the year	190	177
Distribution on exchangeable securities paid in cash	(158)	(173)
Amount payable at the end of the period	282	254

Note 11 – Trade and other payables

	Note	As at March 31, 2020	As at December 31, 2019
Trade payables		6,973	5,614
Trade payables - Inovalis SA		1,140	795
Trade payables		8,113	6,409
Other payables		1,700	1,115
Other payables - Inovalis SA		556	407
Other payables - Joint ventures		-	13,748
Distributions payable	15	1,983	1,978
Distributions payable - Inovalis SA	18	282	250
VAT payable		1,186	10,429
Other payables		5,707	27,927
Total trade and other payables		13,820	34,336

Note 12 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Regular rents	6,890	6,248
Amortization of rent free periods (lease incentives)	(12)	(205)
Rental income	6,878	6,043
Property operating cost recoveries	1,571	2,433
Total revenue	8,449	8,476

For the three months ended March 31, the property operating cost recoveries were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Taxes	602	721
Insurance	23	30
Property management fees	318	309
Utilities and other cost recoveries	628	1,373
Property operating cost recoveries	1,571	2,433

Note 13 – Expenses

Property operating costs consist of the following:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Taxes	(2,881)	(3,425)
Insurance	(27)	(36)
Property management fees	(343)	(326)
Utilities	(920)	(1,727)
Total property operating costs	(4,171)	(5,514)

In accordance with IFRS Interpretations Committee (IFRIC) 21, Levies, the Company recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. For the three months ended March 31, 2020, the amount recognized is \$ 2,074 (2019 - \$ 2,608).

General and administrative expenses consist of the following:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Asset management fees - Inovalis SA	(749)	(795)
Less : amount invoiced to joint ventures	318	387
	(431)	(408)
Professional fees for accounting, tax and audit	(991)	(696)
Legal expenses	(484)	(198)
Trustee fees	(137)	(74)
Travel expenses	(47)	(88)
Bank expenses	(54)	(28)
Other general and administrative expenses	(98)	(280)
Total general and administrative expenses	(2,242)	(1,772)

Note 14 – Finance costs and finance income

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Interest costs related to mortgage loans	(588)	(464)
Interest costs related to leases liabilities	(576)	(623)
Interest costs related to lease equalization loans	(27)	(36)
Interest costs related to promissory notes	(873)	(897)
	(2,064)	(2,020)
Interest SWAP & CAP	(314)	(345)
Other finance costs	(12)	(89)
	(2,390)	(2,454)
Amortization of transaction costs on mortgage loans	(78)	(67)
Finance costs	(2,468)	(2,521)
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	802	699
Finance income from joint venture loans	984	1,311
Other finance income	479	7
Finance income	2,265	2,017

Note 15 – Distributions

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Amount payable at the beginning of the year	1,978	1,618
Declared and recognised during the period	5,942	4,859
Distributions paid in units	(980)	(676)
Paid in cash	(4,957)	(4,179)
Amount payable at the end of the period	1,983	1,622

The amount of distributions payable is included in the “Trade and other payables”.

Note 16 – Trust Units

The REIT is authorized to issue an unlimited number of units and an unlimited number of Special Voting Units. The beneficial interests of the REIT are comprised of a single class of units which represent a unitholders’ proportionate undivided beneficial interest in the REIT. No unit has any preference over any other unit. Each unit confers the right to one vote at any meeting of unitholders and to participate on a pro rata basis in any distributions by the REIT and, in the event of the termination of the REIT, in the net assets of the REIT remaining after the settlement of all liabilities of the Trust. The units of the Trust are redeemable at the demand of the unitholders at the fair market value of the units at that time. Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 10 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at March 31, 2020, 965,911 Special Voting Units were issued and outstanding (2019 – 897,082).

A Distribution Reinvestment Plan (“DRIP”) has been put in place starting from the July 2013 distribution, providing unitholders with the opportunity to accumulate additional units plus additional bonus units in an amount equal to three percent of the distributions reinvested by the unitholders (see Note 22).

Note 17 – Accumulated other comprehensive income

	As at March 31, 2020	As at December 31, 2019
Net unrealized gains on derivatives designated as a hedge of the net investment in foreign entities	(709)	2,463
Cumulative translation adjustment account	34,337	12,128
Accumulated other comprehensive income	33,628	14,591

Note 18 – Transactions with related parties**Inovalis SA – Asset manager**

Pursuant to the Management Agreement, Inovalis SA is the asset manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT and its subsidiaries.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Revenues				
Interest income from acquisition loan	Finance income	13	802	699
			<u>802</u>	<u>699</u>
Expenses				
Asset management fees	Administration expenses	A	(431)	(408)
Facilities management fees	Service charge expenses		(55)	(267)
Property management Fees	Service charge expenses	B	(343)	(336)
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		(190)	(177)
Interest expense on lease equalization loans	Finance costs	13	(27)	(36)
Reimbursement of travel expenses	Administration expenses		(47)	(88)
Trustee fees	Administration expenses		(137)	(74)
			<u>(1,230)</u>	<u>(1,386)</u>
Assets				
Acquisition fees capitalized for the period	Investment properties	C	-	1,441
			<u>0</u>	<u>1,441</u>
Liabilities				
Exchangeable securities issued for the period	Exchangeable securities	10	367	1,501
			<u>367</u>	<u>1,501</u>

(A) Asset management fees of \$749 and \$795 as at March 31, 2020, and March 31, 2019, respectively, correspond to the asset management fees earned for the entire portfolio, including \$318 and \$387 attributable to assets held through joint-ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.

(B) An annual property management fee (the "Property Management Fee") in an amount equal to 3.0% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants;

(C) Includes fees to Inovalis SA of \$766 and to an entity related to Inovalis SA of \$675 as at March 31, 2019.

Inovalis and its subsidiaries	Due from (to) Inovalis SA	
	As at March 31, 2020	As at December 31, 2019
Assets		
Acquisition loan	26,638	24,744
Call option related to the acquisition loan	9,720	9,124
Trade and other receivables	325	288
	<u>36,683</u>	<u>34,156</u>
Liabilities		
Interest-bearing loan	508	477
Lease equalization loans	688	2,019
Distributions payable	282	250
Exchangeable securities	5,622	9,562
Trade and other payables	1,696	1,202
	<u>8,796</u>	<u>13,510</u>

Note 18 – Transactions with related parties (Cont'd)

In performing its obligations under the Management Agreement, Inovalis SA is entitled to receive the following fees from the REIT:

- A. An annual asset management fee in the amount of 0.5% of assets under management
- B. A facility management fee related to the management of service charges that are rebilled directly to tenants;
- C. A leasing fee in an amount equal to (i) 10% of the first-year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first-year annual rent for leases by new tenants;
- D. A construction management fee in respect of capital projects in an amount equal to 5% of all hard construction costs incurred on a project;
- E. An acquisition fee in the amount of 1% of the purchase price of any property acquired (excluding of properties owned or managed by the Manager);
- F. An annual property management fee (the “Property Management Fee”) in an amount equal to 3.0% of the gross revenue of the properties, unless otherwise stipulated in any tenant lease provided the Property Management Fee is fully recoverable by the landlord.

Certain service charge expenses and other costs are paid to third parties by Inovalis SA and its subsidiaries on behalf of the REIT and are reimbursed from time to time.

Joint ventures

The transactions and balances with joint ventures entities are summarized below:

	Financial statement line item	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Management fees invoiced to joint ventures	Administration expenses	318	387
Finance income	Finance income	984	1,311
		<u>1,302</u>	<u>1,698</u>
		<u>Due from joint ventures</u>	
	Financial statement line item	As at March 31, 2020	As at December 31, 2019
Assets			
Loan receivable	Investments accounted for using the equity method	47,771	45,489
Interest receivables	Other current assets	343	360
Accounts receivable	Trade and other receivables	1	507
		<u>48,115</u>	<u>46,356</u>
Liabilities			
Balance of sale payable	Trade and other payables	0	13,748
		<u>0</u>	<u>13,748</u>

For more information on joint ventures, please refer to Note 7 – Investments in joint ventures.

Remuneration of key management personnel

The following table presents the remuneration of key management personnel, which for the purposes of this note are defined as the members of the board of trustees as well as the officers of CanCorpEurope. The appointed officers of the REIT are employed and remunerated by Inovalis SA rather than the REIT, and the costs of their services are not invoiced distinctly from the overall asset management fees.

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Wages, fees and other benefits	(236)	(174)
	<u>(236)</u>	<u>(174)</u>

Note 19 – Financial instruments and risk management

The following table shows an analysis of the fair values of financial instruments and non-financial assets measured at fair value on a recurring basis recognized on the consolidated balance sheet by the level of the fair value hierarchy:

	As at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	512,023	512,023
Derivative financial instruments - assets	-	742	-	742
Call option related to the acquisition loan	-	-	9,720	9,720
Derivative financial instruments - liabilities	-	(6,686)	-	(6,686)
Exchangeable securities	-	(5,622)	-	(5,622)
Promissory notes	-	(26,157)	-	(26,157)

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	478,700	478,700
Derivative financial instruments - assets	-	1,714	-	1,714
Call option related to the acquisition loan	-	-	9,124	9,124
Derivative financial instruments - liabilities	-	(4,228)	-	(4,228)
Exchangeable securities	-	(9,562)	-	(9,562)
Promissory notes	-	(47,909)	-	(47,909)

The REIT's financial assets and liabilities comprise cash, trade receivables, trade payables and accrued liabilities, mortgages loans and interest-bearing loan. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

Fair Value of Financial Assets and Liabilities

The fair values of cash, trade receivables, trade payables and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments.

(a) Mortgage loans

Mortgage loans are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at March 31, 2020.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2020, of the mortgage loans has been estimated at \$159,630 (December 31, 2019 – \$150,823) compared with the carrying value before deferred financing costs of \$143,055 (December 31, 2019 – \$134,360). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Call option related to the acquisition loan

Related to the acquisition loan is determined based mainly on (i) the expected gain on the sale of the property and (ii) the probability of realization of that gain.

Note 19 – Financial instruments and risk management (Cont'd)**Fair Value of Financial Assets and Liabilities (Cont'd)****(c) Exchangeable Securities and Promissory Notes**

The fair value of the Exchangeable Securities and the Promissory Notes is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one to one basis throughout their life at the request of the unit holders, and upon maturity of the underlying notes, at the request of the REIT. Other features of the Exchangeable Securities and the Promissory Notes have no significant impact on their fair value.

Risks Associated with Financial Assets and Liabilities

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest rate risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the REIT's activities. The REIT aims to develop a disciplined control environment in which all employees understand their roles and obligations.

As at March 31, 2020	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	47,771	47,771
Acquisition loan	3	26,638	26,638
Financial liabilities			
Mortgage loan	2	143,055	159,630
Lease equalization loans	2	688	688
Tenant deposits	2	2,252	2,252
<hr/>			
As at December 31, 2019	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	45,489	45,489
Acquisition loan	3	24,744	24,744
Financial liabilities			
Mortgage loan	2	134,360	150,823
Lease equalization loans	2	2,019	2,019
Tenant deposits	2	2,507	2,504
<hr/>			

Note 20 – Cash flow information

	Note	2020	2019 Restated (Note 21) Restated (Note 2)
Adjustments for non-cash items and other reconciling items:			
Gains or losses on disposal	-	-	100
Rent free period	5	12	203
Management fees paid in Exchangeable securities	10	367	384
Net change in fair value of investment properties	5	(1,702)	(2,319)
Net change in fair value of financial derivatives	-	(122)	921
Distributions recognized on Exchangeable securities	10	190	177
Net change in fair value of Exchangeable securities	10	(4,307)	649
Net change in fair value of Promissory notes	-	(21,752)	3,461
Finance income	14	(2,265)	(2,017)
Finance costs	14	2,468	2,521
Share of net earnings from investments in joint venture	7	(183)	(914)
Net unrealized exchange loss (gain)	-	(2,647)	(29)
Acquisition loan	-	(263)	(146)
		(30,204)	2,991
Working capital adjustments			
Increase in trade and other receivables	-	(1,393)	(3,794)
Increase in tenant deposits	-	(331)	(13)
(Decrease) Increase in trade and other payables	-	(12,905)	5,868
		(14,629)	2,061

Cash and non-cash changes in liabilities arising from financing activities:

Liabilities	As at December 31, 2019	Cash-flows ¹					As at March 31, 2020
			Interest capitalized	Issuance of exchangeable securities	Foreign exchange movement	Fair value changes	
Promissory notes	47,909	-	-	-	-	(21,752)	26,157
Exchangeable securities	9,562	-	-	367	-	(4,307)	5,622
Mortgage loans	134,360	(692)	601	-	8,786	-	143,055
Lease liabilities	123,878	(1,452)	-	-	8,037	-	130,463
Lease equalization loans	2,019	(1,397)	-	-	66	-	688

(1) Cash-flows includes issuance and repayment

Note 21 – Restatement of financial results

The consolidated financial statements for the three months ended March 31, 2019 have been restated to recognize an increase of 10% in the withholding tax rate used for the calculation of the deferred income tax liability as at December 31, 2018 following the Double Taxation Treaty (the “New Treaty”), ratified by France in March 2018 and Luxembourg on July 2, 2019, and effective as of January 1, 2020.

An increase in the withholding tax rate in Luxembourg could have a significant impact in the calculation of the deferred income tax liability for the REIT and management is in the process of reviewing the legal status of its corporate structure in Luxembourg, namely CanCorpEurope (CCEU), to transform it into a regulated eligible entity, known as a Specialized investment fund (SIF), to benefit from a reduced withholding rate of 15%, on the basis of the provisions of the New Treaty.

Management had considered that it was probable as at March 31, 2019 that CCEU would obtain the necessary authorization allowing the conversion of CCEU into a SIF, which would result in the application of a reduced effective tax rate of 15%. Given that the regulatory approval required to convert to a SIF is considered a substantive process, the reduced effective tax rate should not have been considered in measuring the REIT’s deferred taxes until such time as the regulatory approval is obtained. The application process to convert to a SIF is still ongoing as of the release date of these interim consolidated financial statements.

Note 21 – Restatement of financial results (Cont'd)**Interim Consolidated Statements of Earning**

	For the three months ended March 31, 2019		
	As restated	As previously reported ⁽¹⁾	Restatement
Rental income	6,043	6,043	-
Service charge income	2,433	2,433	-
Service charge expenses	(5,514)	(5,514)	-
Other revenues	3	3	-
Other property operating expenses	(61)	(61)	-
Net rental earnings	2,904	2,904	-
Administration expenses	(1,772)	(1,772)	-
Foreign exchange gain (loss)	29	29	-
Net change in fair value of investment properties	2,319	2,319	-
Loss on disposal of investment properties	(100)	(100)	-
Share of net earnings from joint ventures	914	914	-
Operating earnings	4,294	4,294	-
Net change in fair value of financial derivatives	(921)	(921)	-
Net change in fair value of Exchangeable securities	(649)	(649)	-
Net change in fair value of Promissory notes	(3,461)	(3,320)	-
Finance income	2,017	2,017	-
Finance costs	(2,521)	(2,521)	-
Distributions on Exchangeable securities	(177)	(177)	-
Earnings before income taxes	(1,418)	(1,418)	-
Current income tax expense	(48)	(48)	-
Deferred income tax expense	(611)	(436)	(175)
Net loss for the period	(2,077)	(1,902)	(175)
Net loss for the period attributable to :			
Non-controlling interest	(32)	(32)	-
Unitholders' of the Trust	(2,045)	(1,870)	(175)
	(2,077)	(1,902)	(175)

(1) Amortization of issuance costs on promissory notes has been reclassified from "Finance costs" to "Net change in fair value of Promissory notes" in the consolidated statement of earnings.

Interim Consolidated Statements of Comprehensive income

	For the three months ended March 31, 2019		
	As restated	As previously reported	Restatement
Earnings for the period	(2 077)	(1 902)	(175)
Other comprehensive income			
Items that may be reclassified subsequently to earnings :			
Net losses on derivatives designated as a hedge of the net investment in a foreign entity	1 137	1 137	-
Reclassification of net losses to net income	152	152	-
Change in cumulative translation adjustment account	(14 268)	(14 260)	(8)
Share of other comprehensive income (loss) of joint ventures	-	-	-
Disposal of a part of interest	-	-	-
Dividends to minority interest	-	-	-
Other comprehensive loss	(12 979)	(12 971)	(8)
Total comprehensive loss	(15 056)	(14 873)	(183)
Total comprehensive loss attributable to :			
Non-controlling interest	(64)	(64)	-
Unitholders of the Trust	(14 992)	(14 809)	(183)
Total comprehensive loss	(15 056)	(14 873)	(183)

Note 21 – Restatement of financial results (Cont'd)**Interim Consolidated Statements of Changes in Equity**

	Total Unitholders' equity		
	As restated	As previously reported	Restatement
As at December 31, 2018	285 241	285 241	-
Distributions earned by or declared to Unitholders	(4 859)	(4 859)	-
Distributions under the Trust's reinvestment plan	676	676	-
Non-controlling interests on acquisition of subsidiary	892	892	-
Non-controlling interests on disposal of subsidiary	(389)	(389)	-
Capital increase from minority interest	90	90	-
	<u>(3 590)</u>	<u>(3 590)</u>	<u>-</u>
Net income for the year	(2 077)	(1 902)	(175)
Other comprehensive income	(12 979)	(12 971)	(8)
Comprehensive income	<u>(15 056)</u>	<u>(14 873)</u>	<u>(183)</u>
As at March 31, 2019	<u>266 595</u>	<u>266 778</u>	<u>(183)</u>

Note 22 – Subsequent events**Normal Course Issuer Bid**

On April 16, 2020, the REIT filed a normal course issuer bid ("NCIB") for a portion of its Units as appropriate opportunities arise from time to time. The Board of Trustees of the REIT believes that the purchase by the REIT of a portion of its outstanding Units may be an appropriate use of available resources and in the best interests of the REIT and its unitholders.

Pursuant to the NCIB notice filed with the TSX, the REIT intends to acquire up to a maximum of 2,622,412 of its Units, or approximately 10% of its public float of Units as of April 15, 2020 for cancellation over the next 12 months. As of April 15, 2020, the REIT had 28,887,922 issued and outstanding Units.

Purchases under the NCIB may be made through the facilities of the TSX or through a Canadian alternative platform and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The number of Units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 20,890 Units (which is equal to 25% of 83,562, being the average daily trading volume during the last six months), subject to the REIT's ability to make one block purchase of Units per calendar week that exceeds such limits.

Until June 30, 2020, pursuant to temporary blanket relief granted by the TSX in connection with the COVID-19 pandemic, daily purchases of up to 41,781 Units, other than block purchases, will be permitted. All Units purchased under the NCIB will be cancelled upon their purchase. The REIT intends to fund the purchases out of its available resources. The NCIB began on April 22, 2020 and will terminate on April 21, 2021, or such earlier time as the REIT completes its purchases pursuant to the NCIB or provides notice of termination.

Distribution Reinvestment and Unit Purchase Plan ("DRIP")

On April 13, 2020, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its DRIP effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020 which is the April distribution. The DRIP will remain suspended until further notice and commencing with the May distribution, distributions of the REIT will be paid only in cash. Upon reinstatement of the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP. The decision to suspend the DRIP was taken by the Board of Trustees as it is not in the best interests of the Trust or its unitholders to issue units at current prices.

Corporate information

Head office

Inovalis REIT

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Investor relations

E-mail: info@inovalis.com

Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

Inovalis has implemented a Distribution Reinvestment Plan (“**DRIP**”). By participating in the Plan, unitholders have cash distributions from Inovalis REIT reinvested in additional units as and when cash distributions are made with a “bonus” distribution of units equal to 3% of the amount of the cash distribution reinvested pursuant to the Plan.

INOVALIS
REAL ESTATE INVESTMENT TRUST

INOVALIS REIT

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