

**INOVALIS REAL ESTATE INVESTMENT TRUST  
CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

June 30, 2022

**(Unaudited)**

## **Disclosure of non-review of condensed interim consolidated financial statements for the quarters ended June 30, 2022 and 2021**

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 condensed interim consolidated financial statements of the REIT for the quarters ended June 30, 2022 and 2021 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 condensed interim 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 June 30, 2022	As at December 31, 2021 restated (Note 22)
<b>Non-current assets</b>			
Investment properties	5	482,359	427,631
Investments in joint ventures	7	53,582	64,327
Derivative financial instruments	20	684	-
Other financial assets		307	-
Restricted cash		4,584	4,964
<b>Total non-current assets</b>		<b>541,516</b>	<b>496,922</b>
<b>Current assets</b>			
Trade receivables and other financial assets	8	10,958	9,368
Derivative financial instruments	20	1,294	845
Other current assets		4,522	3,431
Restricted cash		117	52
Cash		13,347	76,627
<b>Total current assets</b>		<b>30,238</b>	<b>90,323</b>
<b>Total assets</b>		<b>571,754</b>	<b>587,245</b>
Liabilities and equity	Note	As at June 30, 2022	As at December 31, 2021 restated (Note 22)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loan		266	334
Mortgage loans	9	89,577	48,662
Lease liabilities	9	97,995	106,351
Tenant deposits		2,141	1,172
Derivative financial instruments	20	-	366
Deferred tax liabilities		2,778	4,941
<b>Total non-current liabilities</b>		<b>192,757</b>	<b>161,826</b>
<b>Current liabilities</b>			
Interest-bearing loan		25	24
Mortgage loans	9	46,139	44,046
Lease liabilities	9	5,972	7,700
Tenant deposits		182	277
Derivative financial instruments	20	-	853
Exchangeable securities	10	6,820	9,015
Trade and other payables	11	14,258	11,248
Income tax payable		2,037	2,167
Deferred income		623	4,004
<b>Total current liabilities</b>		<b>76,056</b>	<b>79,334</b>
<b>Total liabilities</b>		<b>268,813</b>	<b>241,160</b>
<b>Equity</b>			
Trust units	16	289,180	288,752
Retained earnings		22,853	46,979
Accumulated other comprehensive (loss) income	17	(10,385)	9,055
<b>Total unitholders' equity</b>		<b>301,648</b>	<b>344,786</b>
Non-controlling interest		1,293	1,299
<b>Total equity</b>		<b>302,941</b>	<b>346,085</b>
<b>Total liabilities and equity</b>		<b>571,754</b>	<b>587,245</b>

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

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

Jean-Daniel Cohen  
Chairman and Trustee

Robert Waxman  
Audit Chair and Trustee

**Inovalis Real Estate Investment Trust**  
**Interim Consolidated Statements of Earnings**  
**(Unaudited)**

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

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Rental revenue	12	6,877	6,871	12,078	14,291
Property operating cost recoveries	12	1,451	1,587	2,698	3,628
Property operating costs	13	(1,541)	(1,372)	(6,125)	(6,254)
Other revenues		-	137	39	204
Other property operating expenses		(69)	(305)	(99)	(513)
<b>Net rental income</b>		<b>6,718</b>	<b>6,918</b>	<b>8,591</b>	<b>11,356</b>
General and administrative expenses	13	(1,245)	(2,105)	(3,113)	(4,566)
Foreign exchange gain (loss)		87	(54)	(893)	(940)
Loss on sale of investment in joint ventures		-	(108)	-	(108)
Share of net loss from joint ventures	7	(2,671)	(1,495)	(2,346)	(1,066)
<b>Operating earnings</b>		<b>2,889</b>	<b>3,156</b>	<b>2,239</b>	<b>4,676</b>
Net change in fair value of Investment properties	5	(20,073)	6,814	(17,942)	8,524
Net change in fair value of Financial derivatives		788	(1,860)	1,587	974
Net change in fair value of Exchangeable securities	10	1,904	(95)	2,195	(774)
Finance income	14	1,270	884	2,438	1,686
Finance costs	14	(1,435)	(1,634)	(2,609)	(3,260)
Distributions on Exchangeable securities	10	(193)	(222)	(387)	(452)
<b>(Loss) Income before income taxes</b>		<b>(14,850)</b>	<b>7,043</b>	<b>(12,479)</b>	<b>11,374</b>
Current income tax expense		-	(2,007)	(43)	(2,184)
Deferred income tax (expense) recovery		2,105	4,145	1,913	4,200
Total income tax (expense) recovery		2,105	2,138	1,870	2,016
<b>Net (loss) income</b>		<b>(12,745)</b>	<b>9,181</b>	<b>(10,609)</b>	<b>13,390</b>
<b>Net (loss) income attributable to:</b>					
Non-controlling interest		16	(66)	58	(21)
Unitholders of the Trust		(12,761)	9,247	(10,667)	13,411
		<b>(12,745)</b>	<b>9,181</b>	<b>(10,609)</b>	<b>13,390</b>

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

**Inovalis Real Estate Investment Trust**  
**Interim Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

(All dollar amounts in thousands of Canadian dollars)

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
<b>Net (loss) income for the period</b>		<b>(12,745)</b>	<b>9,181</b>	<b>(10,609)</b>	<b>13,390</b>
<b>Other comprehensive (loss) income</b>					
Items that may be reclassified subsequently to income:					
Net gains on derivatives designated as a hedge of the net investment in a foreign entity		423	2,364	918	2,174
Change in cumulative translation adjustment account		(7,898)	(830)	(20,336)	(20,439)
<b>Other comprehensive (loss) income</b>		<b>(7,475)</b>	<b>1,534</b>	<b>(19,418)</b>	<b>(18,265)</b>
<b>Total comprehensive (loss) income</b>		<b>(20,220)</b>	<b>10,715</b>	<b>(30,027)</b>	<b>(4,875)</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Non-controlling interest		1	(67)	80	(190)
Unitholders of the Trust		(20,221)	10,782	(30,107)	(4,685)
<b>Total comprehensive (loss) income</b>		<b>(20,220)</b>	<b>10,715</b>	<b>(30,027)</b>	<b>(4,875)</b>

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

**Interim Consolidated Statements of Changes in Equity**  
**For the six months ended June 30,**  
**(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, 2020		32,400,585	286,975	53,350	34,913	375,238	1,423	376,661
Distributions earned by or declared to Unitholders		-	-	(23,312)	-	(23,312)	-	(23,312)
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	107	107
		-	-	(23,312)	-	(23,312)	107	(23,205)
Net income (loss) for the six months		-	-	13,411	-	13,411	(21)	13,390
Other comprehensive loss		-	-	-	(18,096)	(18,096)	(169)	(18,265)
Comprehensive income (loss)		-	-	13,411	(18,096)	(4,685)	(190)	(4,875)
<b>As at June 30, 2021</b>		<b>32,400,585</b>	<b>286,975</b>	<b>43,449</b>	<b>16,817</b>	<b>347,241</b>	<b>1,340</b>	<b>348,581</b>
<b>As at December 31, 2021</b>		<b>32,587,809</b>	<b>288,752</b>	<b>46,979</b>	<b>9,055</b>	<b>344,786</b>	<b>1,299</b>	<b>346,085</b>
Distributions earned by or declared to Unitholders	15	-	-	(13,459)	-	(13,459)	-	(13,459)
Distributions under the Trust's reinvestment plan		59,152	428	-	-	428	-	428
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	(86)	(86)
		59,152	428	(13,459)	-	(13,031)	(86)	(13,117)
Net (loss) income for the six months		-	-	(10,667)	-	(10,667)	58	(10,609)
Other comprehensive (loss) income		-	-	-	(19,440)	(19,440)	22	(19,418)
Comprehensive (loss) income		-	-	(10,667)	(19,440)	(30,107)	80	(30,027)
<b>As at June 30, 2022</b>	17	<b>32,646,961</b>	<b>289,180</b>	<b>22,853</b>	<b>(10,385)</b>	<b>301,648</b>	<b>1,293</b>	<b>302,941</b>

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

**Inovalis Real Estate Investment Trust**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

(All dollar amounts in thousands of Canadian dollars)

	<i>Note</i>	For the six months ended June 30, 2022	For the six months ended June 30, 2021
<b>Operating activities</b>			
(Loss) income before income taxes		(12,479)	11,374
Interest received		2,895	413
Interest paid		(2,609)	(2,779)
Income tax paid		-	(3,998)
Distributions in respect of exchangeable securities paid in cash	10	(406)	(466)
Adjustments for non-cash items and other reconciling items	21	17,597	(4,591)
		<u>4,998</u>	<u>(47)</u>
Working capital adjustments	21	(1,833)	(381)
<b>Net cash flows related to operating activities</b>		<u>3,165</u>	<u>(428)</u>
<b>Investing activities</b>			
Additions to investment properties and capitalized letting fees	5	(691)	(164)
Acquisitions of investment property - Gaia	5	(56,678)	-
Acquisitions of investment property - Delgado	5	(43,154)	-
Proceeds from sale of joint ventures	7	-	963
Additional loan advances to joint ventures	7	-	(592)
Loan repayments received from joint ventures	7	4,656	1,048
Increase in financial current assets		(316)	-
Net increase in restricted cash		(65)	499
<b>Net cash flows related to investing activities</b>		<u>(96,248)</u>	<u>1,754</u>
<b>Financing activities</b>			
Distributions to unitholders	15	(13,040)	(13,365)
Issuance of mortgage loans	21	50,794	-
Repayment of mortgage loans	21	(1,038)	(1,994)
Repayment of lease liabilities	21	(3,172)	(3,421)
Repayment of interest bearing loan		(67)	(178)
Repayment of lease equalization loans		-	(177)
<b>Net cash flows related to financing activities</b>		<u>33,477</u>	<u>(19,135)</u>
<b>Net decrease in cash</b>		(59,606)	(17,809)
Effects of foreign exchange adjustments on cash		(3,674)	(4,341)
<b>Cash at the beginning of the period</b>		<u>76,627</u>	<u>80,376</u>
<b>Cash at the end of the period</b>		<u>13,347</u>	<u>58,226</u>

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

**Inovalis Real Estate Investment Trust**  
**Notes to the restated condensed interim consolidated financial statements**  
**June 30, 2022**

**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 Condensed Interim 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, Germany, and Spain.

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 as at and for the six-months ended June 30, 2022, were authorized for issuance by the Board of Trustees on August 12, 2022.

The REIT has hired Inovalis S.A. (“Inovalis SA”), a real estate asset manager having operations in France, Germany, and Spain to manage certain functions. Refer to Note 1 of the restated 2021 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 19 in these condensed interim consolidated financial statements, 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 restated audited 2021 annual 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 restated audited 2021 annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB.

## Note 2 – Basis of presentation and statement of compliance (Cont'd)

### Changes to basis of consolidation

Changes to details of the REIT's subsidiaries from December 31, 2021 to June 30, 2022 are as follows:

Name of Subsidiary	Principal Activity	Property Name	Country of Incorporation and Residence <sup>1</sup>	Proportion of Ownership Interest and Voting Power Held - June 30, 2022	Proportion of Ownership Interest and Voting Power Held - December 31, 2021
Walpur Four SAS ("Walpur") <sup>1</sup>	Investment property holding	Bad Homburg Property	Luxembourg	100% held by CCEU	100% held by CCEU
SCI Jeuneurs ("Jeuneurs") <sup>2</sup>	Investment property holding	Jeuneurs Property	France	N/A	100% held by INOPCI 1
SCI Gaia Nanterre ("Gaia")	Investment property holding	Gaia Property	France	99.99% held by INOPCI 1	N/A
Cancorp Vegacincio SLU ("Vegacincio")	Investment property holding	Delgado Property	Spain	100% held by CCEU	N/A

- (1) On March 17, 2022, Walpur changed its legal status from a French Company to a Limited Company (Societe Anonyme) under the laws of Luxembourg and transferred its country of residence from France to Luxembourg. There was no impact to any balances within the Walpur entity or the REIT as a result of the transfer and the original legal personality of the company was maintained with full continuity of the existing assets and liabilities.
- (2) On April 3, 2022, SCI Jeuneurs was dissolved and any remaining assets and liabilities within the entity were absorbed by its 100% shareholder, INOPCI 1.

## Note 3 – Recent accounting pronouncements adopted

### Reference to the Conceptual Framework – Amendments to IFRS 3 – Business Combinations ("IFRS 3")

In May 2020, the IASB published Reference to the Conceptual Framework – Amendments to IFRS 3. The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018. The amendments also add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") or IFRIC 21 – Levies ("IFRIC 21"), if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. Finally, the amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as it did not enter into any business combinations that would be impacted by the amendments during the six-months ended June 30, 2022.

### IFRS 9 – Financial Instruments ("IFRS 9") – Fees in the "10 percent test" for derecognition of financial liabilities

In May 2020, the International Accounting Standards Board (Board) issued an amendment to IFRS 9 as part of Annual Improvements to IFRS Standards 2018–2020. The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018. The amendment also clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as it did not apply the "10 percent test" to any new or modified financial liabilities during the six-months ended June 30, 2022.



### Note 3 – Recent accounting pronouncements adopted (Cont'd)

#### *IAS 7 Statement of Cash Flows - Demand Deposits with Restrictions on Use arising from a Contract with a Third Party*

In April 2022, the IASB finalized an agenda decision relating to IAS 7. The agenda decision clarified the presentation of demand deposits in an entity's Statement of Financial Position and Statement of Cash Flows. The IFRS Interpretations Committee noted that in the situation in which an entity has limits and restrictions imposed by third parties on its demand deposits, as long as the entity has immediate access to the demand deposits, the amounts should be classified as cash rather than restricted cash.

This amendment had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as all prior classifications of demand deposits were in line with the updated agenda decision.

### 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 restated consolidated financial statements for the year ended December 31, 2021.

### 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 six months ended June 30, 2022	For the year ended December 31, 2021
<b>Balance, beginning of period</b>	<b>427,631</b>	<b>541,218</b>
Capex	695	1,403
Acquisition of Delgado investment property (including acquisition costs)	43,154	-
Acquisition of Gaia investment property (including acquisition costs)	56,678	-
Disposition of Jeuneurs investment property held by Jeuneurs SCI	-	(103,173)
Change in capitalized letting fees	(4)	(445)
Rent free periods	44	(7)
Net change in fair value of investment properties	(17,942)	29,419
Foreign currency translation adjustment	(27,897)	(40,784)
<b>Balance, end of period</b>	<b>482,359</b>	<b>427,631</b>

All of the REIT's investment properties with a fair value of \$482,359 (2021 - \$427,631) are pledged as security for an amount of \$239,683 (2021 - \$206,756) in mortgage loans and lease liabilities.

### Appraisal capitalization and discount rates

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13 – Fair Value Measurement ("IFRS 13"). The technique used by the REIT is the Direct Capitalization Method ("DC").

Under the DC method, the cash generated during the term of the lease as well as the cash generated at reversion, are capitalized 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.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing, and temporary closure of non-essential businesses have created estimation uncertainty in the determination of the fair market value of investment properties as June 30, 2022. The REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of the cash flows generated from investment properties and used in determination of fair value of the investment properties as at June 30, 2022.

## Note 5 – Investment properties (Cont'd)

The REIT's France and Germany investment properties were last appraised by an external valuator as at June 30, 2022. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

	As at June 30, 2022				As at December 31, 2021			
	France	Germany	Spain	Total	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes								
Market value (in Euros) as estimated by external appraisers	262,731	66,500	30,429	359,660	231,896	67,699	-	299,595
Option costs	(2,278)	-	-	(2,278)	(2,221)	-	-	(2,221)
<b>Adjusted market value in Euros</b>	<b>260,453</b>	<b>66,500</b>	<b>30,429</b>	<b>357,382</b>	<b>229,675</b>	<b>67,699</b>	-	<b>297,374</b>
Exchange adjustment	91,081	23,255	10,641	124,977	100,603	29,654	-	130,257
<b>Adjusted market value in CAD\$</b>	<b>351,534</b>	<b>89,755</b>	<b>41,070</b>	<b>482,359</b>	<b>330,278</b>	<b>97,353</b>	-	<b>427,631</b>
Principal method used to value property	Direct Capitalization Method	Direct Capitalization Method	Direct Capitalization Method		Direct Capitalization Method	Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	4.10% to 7.25%	5.00% to 5.50%	5.75%		4.20% to 7.00%	5.00% to 5.00%	-	
Terminal capitalization rate	5.37%	5.00%	5.75%		5.37%	5.00%	-	
Impact on the fair value of investment properties of:								
an increase of 25 bps on the cap rate	(15,062)	(4,149)	(2,078)	(21,289)	(14,687)	(4,501)	-	(19,188)
a decrease of 25 bps on the cap rate	17,194	4,573	2,313	24,080	16,179	4,961	-	21,140

## Right-of-use assets

The REIT leases various investment properties with a carrying amount of \$212,173 (December 31, 2021 – \$232,351) under leases which begin to expire in approximately 5 years (December 31, 2021: 6 years).

## Note 6 – Acquisitions of investment properties

### Gaia property

On January 11, 2022, the REIT, through its 100% owned subsidiary, INOPCI 1, finalized the registration and incorporation of a new entity, Gaia, to use to hold an office building it planned to purchase in a suburb of Paris, France. Gaia is owned 99.99% by INOPCI 1 and 0.01% by Inovalis SA, the asset manager of the REIT.

On March 28, 2022, the REIT entered into a deed of sale to purchase the office building ("the Gaia Property"). The REIT obtained a 100% ownership interest in the Gaia Property and any related working capital items for total consideration of €40,683 (\$55,951), which includes transaction costs of €3,720 (\$5,118). Deducted from the total consideration is a rental guarantee received from the seller of €2,476 (\$3,406) equal to the fair value of the vacancies and below-market lease contracts in place for the Gaia Property. The transaction was financed using a bank loan of €22,000 (\$30,265) as well as excess cash reserves of the REIT.

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired are substantially concentrated in the Gaia Property, the transaction has been classified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Purchase price allocation	(in 000's of €)	(in 000's of \$)
<b><i>Recognized amounts of identifiable assets acquired and liabilities assumed:</i></b>		
Investment property	41,211	56,678
Other assets	65	89
<b>Total assets acquired</b>	<b>41,276</b>	<b>56,767</b>
Deferred rent	(593)	(816)
<b>Total liabilities assumed</b>	<b>(593)</b>	<b>(816)</b>
<b>Net assets acquired</b>	<b>40,683</b>	<b>55,951</b>
<b><i>Consideration transferred by the REIT for the acquisition consists of the following:</i></b>		
Cash	39,439	54,239
Acquisition costs	3,720	5,118
Less: Rental guarantee received from the seller	(2,476)	(3,406)
<b>Total consideration transferred</b>	<b>40,683</b>	<b>55,951</b>

## Note 6 – Acquisitions of investment properties (Cont'd)

### Delgado property

On March 21, 2022, the REIT, through its 88.15% held subsidiary, CCEU, acquired a new entity, Vegacinco, to use to hold an office building it planned to purchase in Alcobendas, north of Madrid, Spain. CCEU acquired a 100% interest in Vegacinco for a total price of €4 (\$5). Vegacinco was an empty shell company at the time of purchase.

On March 31, 2022, the REIT entered into a deed of sale to purchase the office building (“the Delgado Property”). The REIT obtained ownership of the Delgado Property and any related working capital items for total consideration of €31,207 (\$43,198), which includes transaction costs of €1,781 (\$2,467). The transaction was financed using a bank loan of €16,225 (\$22,474) as well as excess cash from the sale of the Jeuneurs property, which took place in Q4 of 2021.

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the Delgado Property, the transaction has been qualified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Purchase price allocation	(in 000's of €)	(in 000's of \$)
<b><i>Recognized amounts of identifiable assets acquired and liabilities assumed:</i></b>		
Investment property	31,175	43,154
Other assets	32	44
<b>Total assets acquired</b>	<b>31,207</b>	<b>43,198</b>
<b>Net asset acquired</b>	<b>31,207</b>	<b>43,198</b>
<b><i>Consideration transferred by the REIT for the acquisition consists of the following:</i></b>		
Cash	29,426	40,731
Acquisition costs	1,781	2,467
<b>Total consideration transferred</b>	<b>31,207</b>	<b>43,198</b>

## 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	Cologne	Stuttgart	Delizy	Neu Isenburg	Kosching	SCCV	Total
<b>Balance -December 31, 2020</b>	<b>22,853</b>	<b>1,067</b>	<b>17,950</b>	<b>8,383</b>	<b>13,134</b>	<b>10,798</b>	<b>1,802</b>	<b>75,987</b>
Distributions declared	-	-	-	-	-	-	(1,715)	(1,715)
Additional investment for the year	-	-	-	941	-	-	-	941
Share of net income (loss) from investments <sup>1</sup>	3,065	-	(1,975)	(1,067)	(81)	732	2	676
Impairment of loans to joint ventures <sup>2</sup>	-	-	-	(2,738)	-	-	-	(2,738)
Repayment on loans to joint ventures	-	-	(759)	-	(708)	(693)	-	(2,160)
Disposals of interests in joint ventures	-	(1,017)	-	-	-	-	(5)	(1,022)
Exchange differences	(1,818)	(50)	(1,274)	(631)	(968)	(817)	(84)	(5,642)
<b>Balance - December 31, 2021</b>	<b>24,100</b>	<b>-</b>	<b>13,942</b>	<b>4,888</b>	<b>11,377</b>	<b>10,020</b>	<b>-</b>	<b>64,327</b>
Share of net (loss) income from investments <sup>1</sup>	(842)	-	(918)	(638)	306	(27)	-	(2,119)
Impairment of loans to joint ventures <sup>2</sup>	-	-	-	(227)	-	-	-	(227)
Repayment on loans to joint ventures	(4,086)	-	(208)	-	(195)	(167)	-	(4,656)
Exchange differences	(1,338)	-	(824)	(269)	(702)	(610)	-	(3,743)
<b>Balance - June 30, 2022</b>	<b>17,834</b>	<b>-</b>	<b>11,992</b>	<b>3,754</b>	<b>10,786</b>	<b>9,216</b>	<b>-</b>	<b>53,582</b>

(1) The share of net income (loss) from investments 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 \$1,477 (2021 - \$1,533) and are included in "Finance income" (see note 14).

(2) The REIT recorded an impairment charge to reduce the loan advanced to Delizy to its recoverable amount.

## Note 7 – Investments in joint ventures (Cont'd)

The balance of investments in joint ventures as at June 30, 2022 includes loans to joint ventures for an amount of \$27,255 which is detailed as follows:

Loans to joint ventures	CCD	Stuttgart	Delizy	Neu Isenburg	Kosching	Total
Gross Balance - June 30, 2022	10,060	9,143	9,347	969	521	30,040
Less: Cumulative ECL	-	-	(2,785)	-	-	(2,785)
Net Balance - June 30, 2022	<b>10,060</b>	<b>9,143</b>	<b>6,562</b>	<b>969</b>	<b>521</b>	<b>27,255</b>
Gross Balance - December 31, 2021	14,946	9,957	9,956	1,234	728	36,821
Less: Cumulative ECL	-	-	(2,738)	-	-	(2,738)
Net Balance - December 31, 2021	<b>14,946</b>	<b>9,957</b>	<b>7,218</b>	<b>1,234</b>	<b>728</b>	<b>34,083</b>

### 2022

#### *Delizy*

In June 2022, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to Delizy such that interest payments for the months of November 2020 to September 2022 were due on October 30, 2022. No additional interest has been charged on any interest payments deferred. The situation will be re-assessed at the end of Q3 2022 and will depend on the REIT's ability to locate tenants for the portion of the building that is currently vacant. There was no impact on the REIT's income from joint ventures as a result of the above deferrals.

#### *CCD*

On May 13, 2022, CCD entered into a new loan agreement with a third-party lender and repaid the loan with its existing lender. Any excess proceeds received as part of the refinancing were used to repay its outstanding shareholder loans. CCD repaid €2,940 (\$4,086) on its shareholder loan to CCEU as a result of the refinancing. CCEU is an 88.15% owned subsidiary of the REIT.

#### *Repayments on loans to joint ventures*

During the period-ended June 30, 2022, loan repayments of €150 (\$208), €140 (\$195) and €120 (\$167) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

## Note 8 – Trade and other receivables

	Note	As at June 30, 2022	As at December 31, 2021
Trade receivables		3,153	2,088
Provision for impairment of trade receivables		(600)	(579)
<b>Trade receivables</b>		<b>2,553</b>	<b>1,509</b>
Other receivables		6,461	5,449
Other receivables - Inovalis SA	19	224	233
Interest receivable - Joint ventures - current	19	1,720	2,177
<b>Other current financial assets</b>		<b>8,405</b>	<b>7,859</b>
<b>Total trade receivables and other financial assets</b>		<b>10,958</b>	<b>9,368</b>

## Note 9 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

As at June 30, 2022					
Entity	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Veronese SCI	Euribor 3M + 1.90%	3/21/31	9,470	-	9,470
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	14,496	-	14,496
Mortgage loan - Cancorp Trio	1.56%	3/15/24	40,523	40,102	421
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	5,800	-	5,800
Mortgage loan - Walpur Four	1.45%	3/31/23	15,037	-	15,037
Mortgage loan - Gaia Nanterre SCI	1.91%	3/31/27	28,796	28,648	148
Mortgage loan - Cancorp Vegacinco	1.99%	3/31/27	21,594	20,827	767
<b>Mortgage loans</b>			<b>135,716</b>	<b>89,577</b>	<b>46,139</b>
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	51,673	47,518	4,155
Lease liabilities - Metropolitan SCI	Euribor 3M + 1.84%	3/18/31	52,294	50,477	1,817
<b>Lease liabilities</b>			<b>103,967</b>	<b>97,995</b>	<b>5,972</b>
<b>Total mortgage loans and lease liabilities</b>			<b>239,683</b>	<b>187,572</b>	<b>52,111</b>

As at December 31, 2021 restated (Note 22)					
Entity	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Veronese SCI	Euribor 3M + 1.90%	3/21/31	10,544	-	10,544
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	16,017	-	16,017
Mortgage loan - Cancorp Trio	1.56%	3/15/24	43,342	42,894	448
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	6,854	5,768	1,086
Mortgage loan - Walpur Four	1.43%	3/31/22	15,951	-	15,951
<b>Mortgage loans</b>			<b>92,708</b>	<b>48,662</b>	<b>44,046</b>
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	57,273	52,832	4,441
Lease liabilities - Metropolitan SCI	Euribor 3M + 1.84%	3/18/31	56,778	53,519	3,259
<b>Lease liabilities</b>			<b>114,051</b>	<b>106,351</b>	<b>7,700</b>
<b>Total mortgage loans and lease liabilities</b>			<b>206,759</b>	<b>155,013</b>	<b>51,746</b>

The aggregate principal repayments and balances maturing on the mortgage loans during the period indicated, are as follows:

	As at June 30, 2022		As at December 31, 2021 restated (Note 22)	
	Carrying value	Minimum payments	Carrying value	Minimum payments
Within 1 year	46,139	47,349	44,046	44,838
After 1 year, but not more than 5 years	89,577	93,350	46,631	47,573
More than 5 years	-	-	2,031	2,147
	<b>135,716</b>	<b>140,699</b>	<b>92,708</b>	<b>94,558</b>
Less : future interest costs	-	(4,983)	-	(1,850)
<b>Total mortgage loans</b>	<b>135,716</b>	<b>135,716</b>	<b>92,708</b>	<b>92,708</b>

## Note 9 – Mortgage loans and lease liabilities (Cont'd)

The aggregate principal repayments and balances maturing on the lease liabilities during the period indicated, are as follows:

	As at June 30, 2022		As at December 31, 2021	
	Carrying value	Minimum lease payments	Carrying value	Minimum lease payments
Within 1 year	5,972	7,768	7,700	9,646
After 1 year, but not more than 5 years	27,378	33,717	25,792	32,678
More than 5 years	70,617	73,895	80,559	84,767
	<b>103,967</b>	<b>115,380</b>	<b>114,051</b>	<b>127,091</b>
Less : future interest costs	-	(11,413)	-	(13,040)
<b>Total lease liabilities</b>	<b>103,967</b>	<b>103,967</b>	<b>114,051</b>	<b>114,051</b>

### Loan covenant breaches

As at June 30, 2022, the REIT is in breach of certain covenants on three of its mortgage loans with third-party lenders, as follows:

#### *Sabliere SCI*

The REIT is in breach of the debt service coverage ratio (“DSCR”) covenant on the mortgage loan within Sabliere SCI as at June 30, 2022 and December 31, 2021. The requirement to maintain a DSCR greater than 120% is in breach as a result of planned developments and related refinancing of such developments within the entity. The total carrying amount of the loan is included as a current liability due to the lender’s right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

#### *Veronese SCI*

The REIT is in breach of the debt service coverage ratio covenant on the mortgage loan within Veronese SCI as at June 30, 2022 and December 31, 2021. The covenant requirement of 110% is in breach as a result of planned tenant vacancies required to execute the promise to sell signed on the property within this entity. The total carrying amount of the loan is included as a current liability due to the lender’s right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

#### *Baldi SCI*

The REIT is in breach of the debt service coverage ratio covenant on the mortgage loan within Baldi SCI as at June 30, 2022. The covenant requirement of 115% is in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the property within the entity. The total carrying amount of the loan is included as a current liability due to the lender’s right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

## Note 9 – Mortgage loans and lease liabilities (Cont'd)

### Walpur Four – Loan extension

On March 16, 2022, the REIT signed an amendment relating to the mortgage loan on the Bad Homburg property within the Walpur entity. The new amendment extends the mortgage loan for one year, with a new maturity date of March 31, 2023.

The REIT has applied extinguishment accounting to account for the changes to the mortgage loan. A loss on extinguishment of mortgage loan of €38 (\$53) has been recorded as part of 'Other finance costs' (see note 14).

### Gaia – Loan origination

On March 28, 2022, to assist with financing the purchase of the Gaia Property, the REIT entered into a mortgage loan with DZ HYP AG for a total principal amount of €22,000 (\$30,265). Transaction costs of €797 (\$1,096) have been deducted against the loan principal and will be amortized over the life of the loan using the effective interest method.

### Delgado – Loan origination

On March 31, 2022, to assist with financing the purchase of the Delgado Property, the REIT entered into a mortgage loan with Targobank S.A. for a total principal amount of €16,225 (\$22,474). Transaction costs of €325 (\$450) have been deducted against the loan principal and will be amortized over the life of the loan using the effective interest method.

## Note 10 – Exchangeable securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	Carrying amount of Exchangeable securities
<b>Balance - December 31, 2020</b>	<b>1,113,663</b>	<b>9,945</b>
Conversion of exchangeable securities into units of the REIT	(175,627)	(1,665)
Net change in fair value of exchangeable securities	-	735
<b>Balance - December 31, 2021</b>	<b>938,036</b>	<b>9,015</b>
Net change in fair value of exchangeable securities	-	(2,195)
<b>Balance - June 30, 2022</b>	<b>938,036</b>	<b>6,820</b>

### Distribution in respect of Exchangeable Securities:

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCEU 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 distributions on exchangeable securities:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Amount payable at the beginning of the period	260	265	249	265
Declared and recognized in earnings during the period	193	222	387	452
Distribution on exchangeable securities paid in cash during the period	(223)	(236)	(406)	(466)
<b>Amount payable at the end of the period</b>	<b>230</b>	<b>251</b>	<b>230</b>	<b>251</b>

## Note 11 – Trade and other payables

	Note	As at June 30, 2022	As at December 31, 2021
Trade payables		5,938	6,806
Trade payables - Transaction costs for acquisitions	6	2,701	-
Trade payables - Inovalis SA	19	369	-
<b>Trade payables</b>		<b>9,008</b>	<b>6,806</b>
Other payables		543	399
Other payables - Joint ventures	19	646	505
Distributions payable	15	2,231	2,240
Distributions payable - Inovalis SA	19	230	249
VAT payable		1,600	1,049
<b>Other payables</b>		<b>5,250</b>	<b>4,442</b>
<b>Total trade and other payables</b>		<b>14,258</b>	<b>11,248</b>

## Note 12 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Regular rents	6,841	6,768	12,324	13,994
Amortization of rent free periods (lease incentives)	36	103	(246)	297
<b>Rental income</b>	<b>6,877</b>	<b>6,871</b>	<b>12,078</b>	<b>14,291</b>
Property operating cost recoveries	1,451	1,587	2,698	3,628
<b>Total revenue</b>	<b>8,328</b>	<b>8,458</b>	<b>14,776</b>	<b>17,919</b>

The property operating cost recoveries were as follows:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Taxes	625	790	1,099	1,424
Insurance	25	42	104	153
Property management fees	251	321	469	637
Utilities and other cost recoveries	550	434	1,026	1,414
<b>Property operating cost recoveries</b>	<b>1,451</b>	<b>1,587</b>	<b>2,698</b>	<b>3,628</b>



## Note 13 – Expenses

Property operating costs consist of the following:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Property tax expense	4	13	(3,267)	(2,982)
Insurance	(45)	(56)	(139)	(187)
Property management fees	(262)	(305)	(488)	(638)
Utilities	(1,238)	(1,024)	(2,231)	(2,447)
<b>Total property operating costs</b>	<b>(1,541)</b>	<b>(1,372)</b>	<b>(6,125)</b>	<b>(6,254)</b>

In accordance with IFRIC 21, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. For the six-months ended June 30, 2022, the amount recognized is \$1,527 (2021 - \$1,439).

General and administrative expenses consist of the following:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Asset management fees	(619)	(638)	(1,115)	(1,377)
Less : amount invoiced to joint ventures	271	285	553	589
	(348)	(353)	(562)	(788)
Professional fees for accounting, tax and audit	(423)	(843)	(1,131)	(1,823)
Legal expenses	(107)	(268)	(426)	(878)
Trustee fees	(63)	(204)	(126)	(431)
Travel expenses	(68)	-	(212)	(3)
Bank expenses	(65)	(44)	(156)	(66)
Other general and administrative expenses	(171)	(393)	(500)	(577)
<b>Total general and administrative expenses</b>	<b>(1,245)</b>	<b>(2,105)</b>	<b>(3,113)</b>	<b>(4,566)</b>

## Note 14 – Finance costs and finance income

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Interest costs related to mortgage loans	(663)	(645)	(1,080)	(1,526)
Interest costs related to lease liabilities	(481)	(533)	(902)	(1,070)
Interest costs related to lease equalization loans	-	(12)	-	(22)
	(1,144)	(1,190)	(1,982)	(2,618)
Interest SWAP & CAP	(218)	(463)	(470)	(621)
Other finance costs	(13)	42	(85)	27
	(1,375)	(1,611)	(2,537)	(3,212)
Amortization of transaction costs on mortgage loans	(60)	(23)	(72)	(48)
<b>Finance costs</b>	<b>(1,435)</b>	<b>(1,634)</b>	<b>(2,609)</b>	<b>(3,260)</b>
Finance income from joint venture loans	698	653	1,477	1,533
Other finance income	572	231	961	153
<b>Finance income</b>	<b>1,270</b>	<b>884</b>	<b>2,438</b>	<b>1,686</b>

## Note 15 – Distributions

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Amount payable at the beginning of the period		2,240	1,936	2,240	2,227
Declared and recognised during the period		6,738	16,629	13,459	23,312
Distributions paid in units		(428)	-	(428)	-
Paid in cash during the period		(6,319)	(6,683)	(13,040)	(13,365)
<b>Amount payable at the end of the period</b>	<i>11</i>	<b>2,231</b>	<b>11,882</b>	<b>2,231</b>	<b>12,174</b>

The amount of distributions payable is included in 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 June 30, 2022, 938,036 Special Voting Units were issued and outstanding (December 31, 2021 – 938,036).

The reinstatement of the Dividend Reinvestment Plan ("DRIP") has been approved by the Board of Trustees of the REIT. The commencement of the DRIP was effective with the April 2022 distribution for Unitholders of record on April 29, 2022. Unitholders that were enrolled in the DRIP at the time of its suspension at April 30, 2020 and have not subsequently withdrawn automatically resumed participation in the DRIP. The DRIP allows eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, will be issue from treasury or purchased on the open market. If the REIT elects to issue units from treasury, such units will be purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT may, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

### Normal course issuer bid

On April 17, 2020 the TSX approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 2,622,412 of its units, or approximately 10% of its public float as of April 15, 2020 over the next 12 months for cancellation.

The number of units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 20,890 units, subject to the REIT's ability to make one block purchase of units per calendar week that exceeds such limits.

On March 23, 2021, the Board of Trustees approved the termination of the NCIB, effective April 2021.

## Note 17 – Accumulated other comprehensive income

	As at June 30, 2022	As at December 31, 2021
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	2,714	1,796
Cumulative translation adjustment account	(13,099)	7,259
<b>Accumulated other comprehensive (loss) income</b>	<b>(10,385)</b>	<b>9,055</b>

## Note 18 - Unit-based compensation plan

The REIT through its Deferred Share Unit (“DSU”) Plan, grants DSU’s to its trustees and senior officers as non-cash compensation. These DSU’s are measured at fair value at the grant date and compensation expense is recognized consistent with the vesting features of the plan. The DSU plan is accounted for as a cash-settled award as the underlying REIT units are redeemable at the sole discretion of the unitholders for cash at market value of the units. For cash-settled awards, the REIT recognizes a liability measured at its fair value. At each reporting date until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognised as compensation expense for the same period. Upon settlement of a DSU, the liability balance is reduced and the resulting Trust Unit is recorded in equity.

Effective May 15, 2019, the REIT’s unitholders approved a DSU Plan to grant DSUs to its trustees and senior officers and reserved a maximum of 200,000 units for issuance under the plan. A DSU is a unit equivalent in value to one trust unit of the REIT. The DSU Plan permits the REIT’s trustees to defer receipt of all or a portion of their trustee fees until termination of the trustee service and to receive such fees in the form of trust units at that time (“Elected DU”). Elected DU will vest immediately upon grant.

The DSU Plan allows the Board of Trustees to grant DSUs to its senior officers at the Board’s discretion (“Granted DU”). The Granted DU will vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DU is recognized in the interim consolidated statement of earnings consistent with the vesting feature of each grant.

In addition, whenever cash distributions are paid on the REIT’s Trust Units, additional deferred units (“ADU”) shall be granted based on aggregate number of vested DSUs as at the same date.

	As at June 30, 2022	As at December 31, 2021
Outstanding at beginning of the period	20,250	48,850
Granted DU	-	10,294
Elected DU	1,437	-
Cancelled DU	-	(6,166)
Exercised	-	(33,900)
ADUs earned	260	1,172
<b>Outstanding at end of the period</b>	<b>21,947</b>	<b>20,250</b>

As of June 30, 2022, 21,947 DSUs are outstanding and 178,053 DSUs are available for grant under the DSU Plan. There were nil DSUs exercised during the six-months ended June 30, 2022 which resulted in no change to the DSU plan liability.

For the six-months ended June 30, 2022, the REIT recorded an expense of \$9 and an increase to the liability for the same amount. The total liability related to the DSU plan as of June 30, 2022 was \$119 (\$110 as at December 31, 2021) and was included in Trade and Other Payables.

## Note 19 – 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.

Unless otherwise stated, none of these transactions incorporated special terms and conditions. The amended management agreement allows for management fees to be settled quarterly through the issuance of either exchangeable securities or in cash. During the six-months ended June 30, 2022, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
<b>Expenses</b>						
Asset management fees	Administration expenses	A	(348)	(353)	(562)	(788)
Facilities management fees	Service charge expenses		(67)	(77)	(128)	(120)
Property management fees	Service charge expenses	B	(243)	(234)	(469)	(594)
Letting fees invoiced	Service charge expenses		1	(45)	(53)	(45)
less portion accounted for over the lease term	Service charge expenses		(2)	41	51	41
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		(193)	(222)	(387)	(452)
Interest expense on lease equalization loans	Finance costs		-	(12)	-	(22)
Reimbursement of travel expenses	Administration expenses		(68)	-	(212)	(3)
Trustee fees	Administration expenses		(63)	(204)	(126)	(431)
			<u>(983)</u>	<u>(1,106)</u>	<u>(1,886)</u>	<u>(2,414)</u>

(A) Asset management fees of \$1,115 and \$1,377 for the six months ended June 30, 2022, and June 30, 2021 respectively, correspond to the asset management fees earned for the entire portfolio, including \$553 and \$589 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 in an amount between 3.0% and 3.5% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants.

Inovalis and its subsidiaries	Note	Due from (to) Inovalis SA	
		As at June 30, 2022	As at December 31, 2021
<b>Assets</b>			
Trade and other receivables		224	233
		<u>224</u>	<u>233</u>
<b>Liabilities</b>			
Interest-bearing loan		291	358
Distributions payable	10	230	249
Exchangeable securities	10	6,820	9,015
Trade and other payables		369	-
		<u>7,710</u>	<u>9,622</u>

### Inovalis SA – Advisory fees

#### 2022

On March 28, 2022, the REIT closed the purchase of the Gaia investment property from a third-party investor. In conjunction with the acquisition, the REIT paid €400 (\$550) in broker fees & €400 (\$550) in advisory fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA. See Note 6 for further details.

On March 31, 2022, the REIT closed the purchase of the Delgado investment property from a third-party investor. In conjunction with the acquisition, the REIT paid €295 (\$408) in advisory fees to Inovalis SA. See Note 6 for further details.

#### 2021

On November 30, 2021, the REIT closed the sale of the Jeuneurs investment property to a third-party investor. In conjunction with the sale, the REIT paid €840 (\$1,217) in disposition fees to Inovalis SA and €1,680 (\$2,434) in broker fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA.

## Note 19 – Transactions with related parties (Cont'd)

### Joint ventures

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

	Financial statement line item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Management fees invoiced to joint ventures	Administration expenses	271	285	553	589
Property management fees	Service charge expenses	(101)	-	(131)	(71)
Letting fees invoiced	Service charge expenses	-	(29)	(2)	(31)
less portion accounted for over the lease term	Service charge expenses	-	27	2	29
Finance income	Finance income	698	653	1,477	1,533
		<u>868</u>	<u>936</u>	<u>1,899</u>	<u>2,049</u>

	Financial statement line item	Due from joint ventures	
		As at June 30, 2022	As at December 31, 2021
<b>Assets</b>			
Loan receivable	Investments accounted for using the equity method	27,255	34,083
Interest receivables	Other financial assets - current	1,720	2,177
		<u>28,975</u>	<u>36,260</u>
<b>Liabilities</b>			
Balance of sale payable	Trade and other payables	646	505
		<u>646</u>	<u>505</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 CCEU. 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 June 30, 2022	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Wages, fees and other benefits	(63)	(204)	(126)	(431)
	<u>(63)</u>	<u>(204)</u>	<u>(126)</u>	<u>(431)</u>

## Note 20 – 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. There are currently no items valued using Level 1 of the fair value hierarchy.

	As at June 30, 2022		
	Level 2	Level 3	Total
Investment properties	-	482,359	482,359
Derivative financial instruments - assets	1,978	-	1,978
Exchangeable securities	(6,820)	-	(6,820)

  

	As at December 31, 2021		
	Level 2	Level 3	Total
Investment properties	-	427,631	427,631
Derivative financial instruments - assets	845	-	845
Derivative financial instruments - liabilities	(1,219)	-	(1,219)
Exchangeable securities	(9,015)	-	(9,015)

The REIT's financial assets and liabilities comprise cash, trade receivables, trade payables and accrued liabilities, mortgages loans and exchangeable securities. 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 June 30, 2022.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using June 30, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2022 of the mortgage loans has been estimated at \$137,809 (December 31, 2021 – \$95,373) compared with the carrying value before deferred financing costs of \$135,716 (December 31, 2021 – \$92,708). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

#### (b) Exchangeable Securities

The fair value of the Exchangeable Securities 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. Other features of the Exchangeable Securities have no significant impact on their fair value.

## Note 20 – Financial instruments and risk management (Cont’d)

### 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.

The continued spread of the COVID-19 pandemic and the ensuing actions being taken by governments, businesses and individuals to limit its effects, including business closures, physical distancing and partial unemployment has impacted the global economy and the available income and liquidity of our tenants, effectively increasing the credit risk associated with our receivables, limiting our ability to respond quickly to changes in credit risk, extending the time to completion and occupancy of major assets and potentially reducing our ability to serve our tenants in the future. As at June 30, 2022, the potential impact of such uncertainties on the REIT's future financial results is difficult to reliably measure.

### Fair value of financial assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's financial assets and liabilities that are not carried at fair value in the Condensed Interim Consolidated Financial Statements.

As at June 30, 2022	Fair value hierarchy level	Carrying amount	Fair value
<b>Financial assets</b>			
Loans to Joint Ventures	3	27,255	27,255
<b>Financial liabilities</b>			
Mortgage loans	2	135,716	137,809
Tenant deposits	2	2,323	2,323
<hr/>			
As at December 31, 2021 restated (Note 22)	Fair value hierarchy level	Carrying amount	Fair value
<b>Financial assets</b>			
Loans to Joint Ventures	3	34,083	34,083
<b>Financial liabilities</b>			
Mortgage loans	2	92,708	94,834
Tenant deposits	2	1,449	1,449
<hr/>			

## Note 21 – Cash flow information

	Note	For the six months ended June 30, 2022	For the six months ended June 30, 2021
<b>Adjustments for non-cash items and other reconciling items:</b>			
Loss on sale of investment in joint venture, excluding transaction costs	7	-	54
Decrease (increase) in rent-free period	5	(44)	(186)
Asset management fees paid by increase in notes		-	110
Net change in fair value of investment properties	5	17,942	(8,524)
Change in classification of finance costs in relation to mortgage loan	21	-	123
Net change in fair value of financial derivatives		(1,587)	(974)
Distributions recognized on exchangeable securities	10	387	452
Net change in fair value of exchangeable securities		(2,195)	774
Finance income	14	(2,438)	(1,686)
Finance costs	14	2,609	3,260
Share of net earnings from investments in joint ventures	7	2,119	1,066
Impairment of loans to joint ventures	7	227	-
Foreign exchange loss		893	940
Net change in fair value of acquisition loan		(316)	-
		<b>17,597</b>	<b>(4,591)</b>
<b>Working capital adjustments</b>			
Increase in trade and other receivables		(3,262)	(6,513)
Increase (decrease) in tenant deposits		1,102	(587)
Increase in trade and other payables		327	6,719
		<b>(1,833)</b>	<b>(381)</b>

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

Liabilities	As at December 31, 2021	Cash-flows <sup>1</sup>			As at June 30, 2022
			Foreign exchange movement	Fair value changes	
Exchangeable securities	9,015	-	-	(2,195)	<b>6,820</b>
Mortgage loans	92,708	49,756	(6,748)	-	<b>135,716</b>
Lease liabilities	114,051	(3,172)	(6,912)	-	<b>103,967</b>

(1) Cash-flows include issuance and repayment

The current economic, operating and capital market environment resulting from COVID-19 pandemic has led to an increased emphasis on liquidity. While management has not changed the REIT's objectives in managing capital, the current focus is on increasing the control of cash flows and ensuring effective use of our existing liquidity.

## Note 22 – Restatement of financial position

The comparative figures for the year ended December 31, 2021 have been restated to recognize a change in the classification of the REIT's mortgage loans within SCI Sabliere and SCI Veronese. The portion of the mortgage loans within SCI Sabliere and SCI Veronese that had previously been classified as non-current liabilities have been reclassified as current liabilities. This reclassification is necessary due to the year-end debt service covenant ratio not being met on the mortgage loans as at December 31, 2021 (see Note 9). The change in this ratio results in a breach of loan covenants for both mortgage loans, allowing the lenders to call the principal outstanding on demand.

The effect of this restatement resulted in the reclassification of \$24,437 in mortgage loans from non-current liabilities to current liabilities as at December 31, 2021. The adjustment had no effect on the previously reported amounts of earnings, comprehensive income, or cash flows from operating activities, investing activities or financing activities. The restated consolidated balance sheet is as follows for December 31, 2021:



## Note 22 – Restatement of financial results (Cont'd)

### Consolidated Balance Sheet

As at December 31, 2021				
Assets	Note	As restated	As previously reported	Restatement
<b>Non-current assets</b>				
Investment properties	5	427,631	427,631	-
Investments in joint ventures	7	64,327	64,327	-
Restricted cash		4,964	4,964	-
<b>Total non-current assets</b>		<b>496,922</b>	<b>496,922</b>	<b>-</b>
<b>Current assets</b>				
Trade receivables and other financial assets	8	9,368	9,368	-
Derivative financial instruments	20	845	845	-
Other current assets		3,431	3,431	-
Restricted cash		52	52	-
Cash		76,627	76,627	-
<b>Total current assets</b>		<b>90,323</b>	<b>90,323</b>	<b>-</b>
<b>Total assets</b>		<b>587,245</b>	<b>587,245</b>	<b>-</b>
Liabilities and equity	Note	As restated	As previously reported	Restatement
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Interest-bearing loan		334	334	-
Mortgage loans	9	48,662	73,099	(24,437)
Lease liabilities	9	106,351	106,351	-
Tenant deposits		1,172	1,172	-
Derivative financial instruments	20	366	366	-
Deferred tax liabilities		4,941	4,941	-
<b>Total non-current liabilities</b>		<b>161,826</b>	<b>186,263</b>	<b>(24,437)</b>
<b>Current liabilities</b>				
Interest-bearing loan		24	24	-
Mortgage loans	9	44,046	19,609	24,437
Lease liabilities	9	7,700	7,700	-
Tenant deposits		277	277	-
Derivative financial instruments	20	853	853	-
Exchangeable securities	10	9,015	9,015	-
Trade and other payables	11	11,248	11,248	-
Income tax payable		2,167	2,167	-
Deferred income		4,004	4,004	-
<b>Total current liabilities</b>		<b>79,334</b>	<b>54,897</b>	<b>24,437</b>
<b>Total liabilities</b>		<b>241,160</b>	<b>241,160</b>	<b>-</b>
<b>Equity</b>				
Trust units	16	288,752	288,752	-
Retained earnings		46,979	46,979	-
Accumulated other comprehensive income	17	9,055	9,055	-
<b>Total unitholders' equity</b>		<b>344,786</b>	<b>344,786</b>	<b>-</b>
Non-controlling interest		1,299	1,299	-
<b>Total equity</b>		<b>346,085</b>	<b>346,085</b>	<b>-</b>
<b>Total liabilities and equity</b>		<b>587,245</b>	<b>587,245</b>	<b>-</b>

# Corporate information

## Head office

Inovalis REIT

151 Yonge Street, 11<sup>th</sup> floor

Toronto, Ontario, M5C 2W7

## Investor relations

E-mail: [info@inovalis.com](mailto:info@inovalis.com)

Website: [www.inovalisreit.com](http://www.inovalisreit.com)

## Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

## Distribution Reinvestment Plan

The reinstatement of the Dividend Reinvestment Plan (“DRIP”) has been approved by the Board of Trustees of the REIT. The commencement of the DRIP will be effective with the April 2022 distribution for Unitholders of record on April 29, 2022. Unitholders that were enrolled in the DRIP at the time of its suspension at April 30, 2020 and have not subsequently withdrawn will automatically resume participation in the DRIP. The DRIP allows eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT’s election, will be issue from treasury or purchased on the open market. If the REIT elects to issue units from treasury, such units will be purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the “TSX”) for the five trading days immediately preceding the relevant dividend payment date. The REIT may, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

# INOVALIS

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REAL ESTATE INVESTMENT TRUST

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**INOVALIS REIT**

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