INOVALIS REAL ESTATE INVESTMENT TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021

(Unaudited)

Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended September 30, 2021 and 2020

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 September 30, 2021 and 2020 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 September 30, 2021	As at December 31, 2020
Non-current assets			
Investment properties	5	**440 422**	541 218
Investments in joint ventures	7	**70 582**	75 987
Other financial assets	8	**753**	-
Derivative financial instruments	22	**53**	-
Restricted cash	-	**5 071**	4 874
Total non-current assets		**516 881**	**622 079**
Current assets			
Trade receivables and other financial assets	8	**11 492**	6 623
Derivative financial instruments	22	**523**	15
Other current assets	-	**3 172**	2 444
Restricted cash	-	**53**	552
Cash	-	**38 574**	80 376
Total current assets		**53 814**	**90 010**
Asset held for sale	9	**104 571**	-
Total assets		**675 266**	**712 089**

Liabilities and equity	Note	As at September 30, 2021	As at December 31, 2020
Liabilities			
Non-current liabilities			
Interest-bearing loan	-	**341**	474
Mortgage loans	10	**87 158**	152 737
Lease liabilities	10	**110 347**	121 813
Tenant deposits	-	**1 240**	1 490
Derivative financial instruments	22	**1 234**	3 091
Deferred tax liabilities	-	**10 190**	13 212
Total non-current liabilities		**210 510**	**292 817**
Current liabilities			
Interest-bearing loan	-	**61**	36
Mortgage loans	10	**58 503**	4 752
Lease liabilities	10	**7 668**	8 474
Lease equalization loans	-	**-**	371
Tenant deposits	-	**323**	1 009
Derivative financial instruments	22	**1 153**	2 382
Exchangeable securities	12	**10 402**	9 945
Trade and other payables	13	**11 088**	11 052
Income tax payable	4	**2 213**	4 069
Deferred income	-	**569**	521
Total current liabilities		**91 980**	**42 611**
Total liabilities		**302 490**	**335 428**
Equity			
Trust units	18	**286 975**	286 975
Retained earnings	-	**68 919**	53 350
Accumulated other comprehensive income	19	**15 472**	34 913
Total unitholders' equity		**371 366**	**375 238**
Non-controlling interest	-	**1 410**	1 423
Total equity		**372 776**	**376 661**
Total liabilities and equity		**675 266**	**712 089**

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:

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 September 30, 2021**	**For the three months ended September 30, 2020**	**For the nine months ended September 30, 2021**	**For the nine months ended September 30, 2020**
Rental revenue	*14*	**7 650**	7 154	**21 941**	21 151
Property operating cost recoveries	*14*	**1 506**	1 790	**5 134**	4 915
Property operating costs	*15*	**(1 872)**	(1 569)	**(8 126)**	(7 019)
Other revenues	-	**-**	-	**168**	19
Other property operating expenses	-	**(262)**	(115)	**(739)**	(228)
Net rental income		**7 022**	**7 260**	**18 378**	**18 838**
General and administrative expenses	*15*	**(1 695)**	(1 457)	**(6 260)**	(5 741)
Foreign exchange (loss) gain	-	**(49)**	816	**(989)**	2 619
Net change in fair value of investment properties	*5*	**25 933**	(763)	**34 457**	(1 348)
Loss on sale of investment in joint venture	*7*	**-**	-	**(108)**	-
Share of net income (loss) from joint ventures	*7*	**3 652**	(1 176)	**2 586**	(1 843)
Operating earnings		**34 863**	**4 680**	**48 064**	**12 525**
Net change in fair value of Financial derivatives	-	**336**	192	**1 311**	399
Net change in fair value of Exchangeable securities	*12*	**318**	96	**(457)**	2 675
Net change in fair value of Promissory notes	*11*	**-**	449	**-**	14 152
Finance income	*16*	**889**	1 561	**2 575**	5 737
Finance costs	*16*	**(1 703)**	(2 486)	**(4 963)**	(7 562)
Distributions on Exchangeable securities	*12*	**(579)**	(209)	**(1 032)**	(602)
Income before income taxes		**34 124**	**4 283**	**45 498**	**27 324**
Current income tax (expense) recovery	-	**(29)**	33	**(2 213)**	(16)
Deferred income tax (expense) recovery	-	**(1 873)**	165	**2 327**	(119)
Total income tax (expense) recovery		**(1 902)**	198	**114**	**(135)**
Net income		**32 222**	**4 481**	**45 612**	**27 189**
Net income attributable to:					
Non-controlling interest	-	**71**	36	**50**	42
Unitholders of the Trust	-	**32 151**	4 445	**45 562**	27 147
		32 222	**4 481**	**45 612**	**27 189**

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
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	Note	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Net income for the period	-	**32 222**	4 481	**45 612**	27 189
Other comprehensive (loss) income					
Items that may be reclassified subsequently to income :					
Net (losses) gains on derivatives designated as a hedge of the net investment in a foreign entity	-	**(208)**	(1 192)	**1 966**	(3 439)
Change in cumulative translation adjustment account	-	**(1 067)**	8 143	**(21 578)**	24 766
Other comprehensive (loss) income		**(1 275)**	6 951	**(19 612)**	21 327
Total comprehensive income		**30 947**	11 432	**26 000**	48 516
Total comprehensive income attributable to :					
Non-controlling interest	-	**52**	156	**(121)**	176
Unitholders of the Trust	-	**30 895**	11 276	**26 121**	48 340
Total comprehensive income		**30 947**	11 432	**26 000**	48 516

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

Interim Consolidated Statements of Changes in Equity
For the nine months ended September 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, 2019		28 742 306	259 526	57 827	14 591	331 944	1 200	333 144
Issuance of units	-	12 811	131	-	-	131	-	131
Issuance costs	-	-	(56)	-	-	(56)	-	(56)
Repurchase of Trust Units	*18*	(905 565)	(7 961)	1 105	-	(6 856)	-	(6 856)
Distributions earned by or declared to Unitholders	*17*	-	-	(17 678)	-	(17 678)	-	(17 678)
Distributions under the Trust's reinvestment plan	*17*	145 616	1 213	-	-	1 213	-	1 213
Capital increase from non-controlling interest	-	-	-	-	-	-	78	78
		(747 138)	(6 673)	(16 573)	-	(23 246)	78	(23 168)
Net income for the nine months	-	-	-	27 147	-	27 147	42	27 189
Other comprehensive income	-	-	-	-	21 193	21 193	134	21 327
Comprehensive income		-	-	27 147	21 193	48 340	176	48 516
As at September 30, 2020		**27 995 168**	**252 853**	**68 401**	**35 784**	**357 038**	**1 454**	**358 492**
As at December 31, 2020	*19*	32 400 585	286 975	53 350	34 913	375 238	1 423	376 661
Distributions earned by or declared to Unitholders	*17*	-	-	**(29 993)**	-	**(29 993)**	-	**(29 993)**
Foreign exchange impact on Non-controlling interest	-	-	-	-	-	-	**108**	**108**
		-	-	**(29 993)**	-	**(29 993)**	**108**	**(29 885)**
Net income for the nine months	-	-	-	**45 562**	-	**45 562**	**50**	**45 612**
Other comprehensive loss	-	-	-	-	**(19 441)**	**(19 441)**	**(171)**	**(19 612)**
Comprehensive income (loss)		-	-	**45 562**	**(19 441)**	**26 121**	**(121)**	**26 000**
As at September 30, 2021	*19*	**32 400 585**	**286 975**	**68 919**	**15 472**	**371 366**	**1 410**	**372 776**

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
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	Note	**For the nine months ended September 30, 2021**	**For the nine months ended September 30, 2020**
Operating activities			
Income before income taxes	-	**45 498**	27 324
Interest received	-	**1 009**	5 054
Interest paid	-	**(1 155)**	(7 562)
Income tax paid	-	**(3 998)**	(16)
Distributions in respect of exchangeable securities paid in cash	*12*	**(1 044)**	(601)
Adjustments for non-cash items and other reconciling items	*23*	**(33 120)**	(13 661)
		7 190	**10 538**
Working capital adjustments	*23*	**(8 106)**	(20 050)
Net cash flows related to operating activities		**(916)**	**(9 512)**
Investing activities			
Investment properties	*5*	**(260)**	(920)
Acquisition of subsidiary, net of cash acquired	*6*	**-**	2 175
Proceeds from sale of joint ventures	*7*	**963**	-
Additional loan advances to joint ventures	*7*	**(599)**	(1 225)
Loan repayments received from joint ventures	*7*	**1 589**	2 277
Repayment of acquisition loan	-	**-**	18 893
Net change in restricted cash	-	**499**	-
Decrease in other financial assets	-	**-**	195
Net cash flows related to investing activities		**2 192**	**21 395**
Financing activities			
Distributions to unitholders	*17*	**(29 996)**	(16 507)
Repayment of promissory notes	*11*	**-**	(20)
Proceeds from issuance of units	-	**-**	131
Issuance unit costs	*18*	**-**	(56)
Repurchase of Trust Units	*18*	**-**	(6 856)
Repayment of mortgage loans	*10*	**(3 163)**	(1 940)
Repayment of lease liabilities	*10*	**(5 056)**	(306)
Repayment of interest bearing loan	-	**(399)**	(42)
Repayment of lease equalization loans	-	**(357)**	(1 656)
Net cash flows related to financing activities		**(38 971)**	**(27 252)**
Net decrease in cash		**(37 695)**	**(15 369)**
Effects of foreign exchange adjustments on cash	-	**(4 107)**	5 290
Cash at the beginning of the period		**80 376**	**83 409**
Cash at the end of the period		**38 574**	**73 330**

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

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 as at and for the three and nine months ended September 30, 2021, were authorized for issuance by the Board of Trustees on November 10, 2021.

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 2020 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 21 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 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 2020 annual audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

Note 3 – Recent Accounting Pronouncements Adopted

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an Interbank Offered Rate ("IBOR") with a Risk Free Rate ("RFR").

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

Note 3 – Recent Accounting Pronouncements Adopted (Cont'd)

IBOR reform Phase 2 provides temporary reliefs that allow the REIT's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the REIT to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting.

The REIT has applied IBOR reform Phase 2 from January 1, 2021. The amendments had no impact on the REIT's Condensed Interim Consolidated Financial Statements for the nine months ended September 30, 2021 as to date, no existing interest rate benchmarks had been replaced by RFRs. Management is currently assessing the impact that any future replacements of interest rate benchmarks by RFRs may have on the REIT as a result of application of IBOR reform Phase 2. The REIT intends to use the practical expedients in future periods if they become applicable.

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, 2020 except for the impact of the conversion of CanCorpEurope into a Specialized Investment Fund ("SIF") and the provision for tax reassessment recorded by the REIT.

On June 30, 2021, Management obtained regulatory approval for the conversion of CanCorpEurope into a SIF. CCEU is an 85.92% owned subsidiary of the REIT that acts as a holding company for the REIT's European assets. The new legal name of CanCorpEurope after the conversion is CanCorpEurope S.A., SICAV-SIF ("CCEU"). A SIF is a regulated entity in Luxembourg that is not subject to Luxembourg taxes on income or capital gains. Subsequent to the conversion, dividend distributions to CCEU from INOPCI1, a French subsidiary of CCEU, are subject to a 15% withholding tax. CCEU was previously subject to withholding tax of 25% on any distributions from INOPC1. Deferred income tax liabilities relating to distributions from INOPC1 are based on the reduced rate of 15% and the assumption of the distribution of 50% of CCEU's net profits arising from capital gains upon the disposition of its investment properties (which results in an effective rate of 7.5%). The impact of this change was an increase to deferred income tax recovery of €3,415 ($5,133) for the three and nine months ended September 30, 2021and a decrease to deferred tax liabilities of an equal amount as at September 30, 2021.

Included in income tax payable is an amount of €1,507 ($2,213) for management's best estimate of the amount payable following a tax reassessment that is being disputed with the French tax authorities.

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 nine months ended September 30, 2021	For the year ended December 31, 2020
Balance, beginning of period	**541 218**	**478 700**
Capex	**420**	1 968
Acquisition of Bad Homburg investment property held by Walpur 4	**-**	35 057
Change in capitalized letting fees	**(160)**	203
Rent free periods	**94**	241
Net change in fair value of investment properties	**34 457**	(7 431)
Foreign currency translation adjustment	**(31 036)**	32 480
Asset classified as held for sale	**(104 571)**	-
Balance, end of period	**440 422**	**541 218**

Note 5 – Investment properties (Cont'd)

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*. 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 property as September 30, 2021. 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 September 30, 2021.

The REIT's investment properties were last appraised by an external valuator as at September 30, 2021 for Walpur 4 and Delizy and as at June 30, 2021 for all other properties. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

	As at September 30, 2021			As at December 31, 2020		
	France [1]	Germany	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**299 613**	**68 199**	**367 812**	281 350	68 700	350 050
IFRIC 21 adjustment	**721**	**-**	**721**	-	-	-
Option costs	**2 665**	**-**	**2 665**	(2 112)	-	(2 112)
Adjusted market value in Euros	**302 999**	**68 199**	**371 198**	**279 238**	**68 700**	**347 938**
Exchange adjustment	**141 864**	**31 931**	**173 795**	155 117	38 163	193 280
Adjusted market value in CAD$	**444 863**	**100 130**	**544 993**	**434 355**	**106 863**	**541 218**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	**4.20% to 7.00%**	**5.00% to 6.00%**		4.20% to 7.00%	4.90% to 5.75%	
Terminal capitalization rate	**5.37%**	**4.90%**		5.37%	4.90%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate	**(20 390)**	**(4 636)**	**(25 026)**	(19 896)	(4 954)	(24 850)
a decrease of 25 bps on the cap rate	**22 547**	**5 110**	**27 657**	21 978	5 463	27 441

(1) Included in the adjusted market value for the properties in France is the Jeuneurs Property, which has a market value of €71,200 (CAD $104,571) that is presented as an asset held for sale.

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $238,978 (2020 – $251,703) under leases which begin to expire in approximately 6 years (2020: 7 years).

Note 6 – Acquisition of investment properties

Transaction that occurred in 2020 - Walpur

On July 27, 2020, the REIT entered into an agreement with its joint venture partner to buy-back the 50% interest held in Walpur by its joint venture partner. The transaction closed on October 27, 2020 and is in line with the REIT's strategy to buy-back joint ventures in order to simplify ownership structure. The REIT purchased 50% of the shares of Walpur 4 and an interest-bearing loan owned by the seller for total consideration of €7,057 ($10,975), including transaction costs of €1,190 ($1,851).

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 Walpur property, the transaction has been qualified as an acquisition of assets.

Note 6 – Acquisition of investment properties (Cont'd)

Transaction that occurred in 2020 – Walpur (Cont'd)

The Walpur acquisition includes an unrecognized deferred tax liability of €1,421 ($2,210) in relation to the IAS 12 recognition exemption on acquisition of assets. The REIT has elected to remeasure its previously held interests in the acquired assets and liabilities to their acquisition-date-fair values, resulting in a gain on remeasurement of €135 ($207) that was recorded in Q4 of 2020.

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	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	SCCV	Total
Balance -December 31, 2019	**26 296**	**9 518**	**14 416**	**955**	**17 531**	**8 479**	**13 505**	**10 082**	**-**	**100 782**
Additional investment for the period	673	-	-	-	-	558	-	-	-	1 231
Acquisition costs	-	-	-	-	-	-	-	-	396	396
Investment from exercise of call option	-	-	-	-	-	-	-	-	14 218	14 218
Distribution from joint ventures	-	-	-	-	-	-	-	-	(12 430)	(12 430)
Share of net (loss) income from investments [1]	(5 817)	(15)	(17)	46	(6)	(1 219)	208	681	-	(6 139)
Impairment of investment in joint ventures	-	-	-	-	-	-	-	-	(385)	(385)
Accrued interest on loan receivable prior to acquisition of control	-	28	-	-	-	-	-	-	-	28
Loan to joint ventures repayments	-	-	-	-	(754)	-	(1 476)	(651)	-	(2 881)
Exchange differences	1 701	645	6	66	1 179	565	897	686	3	5 748
Acquisition of control	-	(10 176)	(14 405)	-	-	-	-	-	-	(24 581)
Balance - December 31, 2020	**22 853**	**-**	**-**	**1 067**	**17 950**	**8 383**	**13 134**	**10 798**	**1 802**	**75 987**
Distributions declared [2]	-	-	-	-	-	-	-	-	**(1 731)**	(1 731)
Additional investment for the period	-	-	-	-	-	**599**	-	-	-	599
Share of net (loss) income from investments [1]	**3 248**	-	-	-	**(504)**	**(835)**	**108**	**512**	**57**	2 586
Loan to joint ventures repayments	-	-	-	-	**(542)**	-	**(520)**	**(527)**	-	(1 589)
Disposals of interests in joint ventures	-	-	-	**(1 015)**	-	-	-	-	-	(1 015)
Exchange differences	**(1 344)**	-	-	**(52)**	**(988)**	**(466)**	**(729)**	**(606)**	**(70)**	(4 255)
Balance - September 30, 2021	**24 757**	**-**	**-**	**-**	**15 916**	**7 681**	**11 993**	**10 177**	**58**	**70 582**

(1) The share of net (loss) income 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 $2,555 (2020 - $3,017) and are included in "Finance income" (see note 16).

(2) On June 28, 2021, SCCV declared a distribution to pay out the remaining profit from the sale of the Rueil property. The distribution has not been paid out as at September 30, 2021 and is included in "Other Receivables – Joint Ventures" (see note 8).

The balance of investments in joint ventures as at September 30, 2021 includes loans to joint ventures for an amount of $35,689 which is detailed as follows:

Loans to joint ventures	**CCD[1]**	**Cologne**	**Stuttgart**	**Delizy**	**Neu Isenburg**	**Kösching**	**Total**
Balance - September 30, 2021	**15 260**	**-**	**10 386**	**7 681**	**1 450**	**912**	**35 689**
Balance - December 31, 2020	16 167	821	11 568	8 383	2 077	1 515	**40 531**
Maturity date	12/31/2022	11/06/2024	05/30/2023	08/31/2022	12/29/2023	12/31/2023	
Interest rate	10%	10.5%	6.5%	9%	8.7%	6.5%	

(1) On April 19, 2021, the REIT extended the Joint Venture Agreement with the Kuwaiti partner in the Duisburg property for an additional two years, maturing at the end of December 2022.

2021

Delizy

On July 16, 2021, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to Delizy for the months of November 2020 to September 2021. Interest payments are due on or before October 1, 2021. No additional interest is being charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures as a result of the deferral.

Cologne

On June 29, 2021, the REIT sold its 6% interest in Cologne and the balance of its interest-bearing loan with Cologne to a related party, SC Advenis IMMO Capital, for a total consideration of €655 ($963). The REIT recognized a loss on sale of €73 ($108) relating to the disposition. Included in the loss on sale is €37 ($54) relating to transaction costs directly attributable to the sale. See Note 21 – Transactions with related parties.

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

CCD

On April 16, 2021, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to CCD for the months of November 2020 to December 2021. Interest payments for November and December 2020 are due, on or before December 31, 2021. Interest payments for January 2021 to December 2021 are due, on or before December 31, 2022. To date, interest for the months of November 2020 to March 2021 has been paid by CCD and interest for the months of April 2021 to September 2021 is outstanding. No additional interest is being charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures as a result of the deferral.

Repayments on loans to joint ventures

During the nine months ended September 30, 2021, loan repayments of $542 (€362), $520 (€347), and $527(€353) occurred respectively for Stuttgart, Neu-Isenburg and Kösching.

2020

Walpur

In accordance with the agreement signed between the two investors on July 27, 2020, the co-investor to the Walpur joint venture, holding 50% interest, was bought out of the partnership on October 27, 2020. Previously, the joint venture was accounted for using the equity method, see Note 6 for further discussion of the acquisition.

SCCV Rueil Le Lumiere

In December 2016, the REIT funded an acquisition and development loan for an asset located at 17/19 Rue des Deux Gares 92500 Rueil Malmaison. The financing arrangement was issued to SCCV Rueil Le Lumiere ("SCCV") in relation to development of the commercial property. In October 2020, the commercial property was developed and sold.

The financing for the property investment had been structured in tandem with a call option agreement dated December 22, 2016 between the REIT and Neo Soleil SAS, an entity controlled by Inovalis SA. On October 2, 2020, the REIT exercised the call option related to the acquisition loan and acquired 20% equity interest in SCCV that was previously held by Neo Soleil SAS for a nominal purchase price. The call option was exercised by the REIT to materialize the gain on the sale of the commercial property. The REIT also incurred transaction costs of €252 ($391) relating to the acquisition.

Arcueil

In accordance with the agreement signed between the two investors on December 18, 2019, the partner to the Arcueil joint venture, holding 75% interest, was bought out of the partnership on January 22, 2020.

Repayments on loans to joint ventures

During the year ended December 31, 2020, loan repayments of $754 (€451), $1,476 (€922) and $651 (€350) occurred respectively for Stuttgart, Neu-Isenburg and Kösching.

Note 8 – Trade and other receivables

	As at September 30, 2021	As at December 31, 2020
Trade receivables	**5 161**	3 577
Trade receivables - Inovalis SA	**319**	-
Provision for impairment of trade receivables	**(669)**	(60)
Trade receivables	**4 811**	**3 517**
Other receivables	**3 908**	1 717
Other receivables - Inovalis SA	**219**	283
Other receivables - Joint ventures	**1 699**	-
Interest receivable - Joint ventures - current	**855**	1 106
Other current financial assets	**6 681**	**3 106**
Interest receivable - Joint ventures - non-current	**753**	-
Other non-current financial assets	**753**	**-**
Total trade receivables and other financial assets	**12 245**	**6 623**

Note 9 – Asset held for sale

In July of 2021, the REIT received an unsolicited offer for the Jeuneurs property from a third-party buyer. The property has a gross leasable area of 5,536 m2 (59,589 sq. Ft.) and is located in the Paris periphery.

On July 28, 2021, in connection with the offer, the REIT entered into a unilateral promise to sell the Jeuneurs property to the buyer. The net sale price is €71 million (CAD $105 million), excluding closing costs. The net change in fair value of the Jeuneurs property recorded during the quarter ended September 30, 2021 was €17 million (CAD $25M).

The sale of the property is expected to be completed on or before December 15th, 2021. As all the criteria related to classification as an asset held for sale have been met, the Jeuneurs property is presented on a separate line in the consolidated balance sheet as "Asset held for sale" as at September 30, 2021.

Note 10 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

			As at September 30, 2021		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	Euribor 3M + 1.45%	31/12/2022	38 811	-	38 811
Mortgage loan - Véronèse SCI	Euribor 3M + 1.90%	21/03/2031	10 993	10 059	934
Mortgage loan - Sablière SCI	Euribor 3M + 1.59%	23/06/2026	16 649	15 446	1 203
Mortgage loan - Cancorp Trio	1.56%	15/03/2024	44 329	43 871	458
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	18 604	17 782	822
Mortgage loan - Walpur Four	1,43%	31/03/2022	16 275	-	16 275
Mortgage loans			**145 661**	**87 158**	**58 503**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	59 617	55 075	4 542
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	58 398	55 272	3 126
Lease liabilities			**118 015**	**110 347**	**7 668**
Total mortgage loans and lease liabilities			**263 676**	**197 505**	**66 171**

			As at December 31, 2020		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	Euribor 3M + 1.75%	26/10/2027	42 176	40 751	1 425
Mortgage loan - Véronèse SCI	Euribor 3M + 1.90%	21/03/2031	12 361	11 399	962
Mortgage loan - Sablière SCI	Euribor 3M + 1.59%	23/06/2026	18 357	17 320	1 037
Mortgage loan - Cancorp Trio 1	1.56%	15/03/2024	47 055	46 569	486
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	20 334	19 492	842
Mortgage loan - Walpur Four	1.43%	31/03/2022	17 206	17 206	-
Mortgage loans			**157 489**	**152 737**	**4 752**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	67 067	61 256	5 811
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	63 220	60 557	2 663
Lease liabilities			**130 287**	**121 813**	**8 474**
Total mortgage loans and lease liabilities			**287 776**	**274 550**	**13 226**

Note 10 – 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 September 30, 2021		As at December 31, 2020	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**7 668**	**9 683**	8 474	12 520
After 1 year, but not more than 5 years	**26 422**	**33 562**	28 288	36 245
More than 5 years	**83 925**	**88 608**	93 525	97 853
	118 015	**131 853**	**130 287**	**146 618**
Less : future interest costs	**-**	**(13 838)**	-	(16 331)
Total lease liabilities	**118 015**	**118 015**	**130 287**	**130 287**

Loan concessions

Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more economic uncertainty and expectations as compared to prior periods. At this time, the REIT has accepted deferral plans whenever proposed by banks/financial lessors, further to government incentives.

The REIT did not enter into any additional loan concessions with banks/financial lessors during the nine-months ended September 30, 2021.

Note 11 – 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"). 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.

On the issue date of Note 1, Note 2 and Note 3, the Trust entered into put and call agreements with the investor. Pursuant to put and call agreements, the investor has the right to require the trust, beginning one year following the first anniversary of the issue date of the promissory note, to purchase all or any portion of the Promissory notes (the "Put Option") for cash consideration equal to the amount of the Promissory Notes being acquired, divided by the applicable conversion rate applicable to the issuance of the Promissory Notes (the "Conversion Rate") and multiplied by the market price of the units of the Trust at the time the Put Option is exercised.

The Trust has the right to require the investor to sell, at any moment, all or any portion of the Promissory Notes (the "Call Option") by delivering Trust Units equivalent to the value of Promissory Notes being acquired divided by the applicable Conversion Rate. The Equivalent Trust Units are the number of units that the trust would have to be issued if required to settle the Put Option or the Call Option for all promissory notes by issuing units.

The variances for the three and nine months ended September 30, 2020 were gains of $449 and $14,152 respectively. These were presented in net change in fair value of promissory notes.

In October 2020, the Investor confirmed its intention to exercise the Put Option under the put/call agreement and redeem the entire outstanding principal amount of the three Promissory Notes. On November 3, 2020 the REIT entirely repaid Note 3 by delivering 2,121,008 units to the Investor. On November 5, 2020 the REIT entirely repaid Note 1 and Note 2 by delivering 1,280,208 and 1,087,911 units, respectively. Earlier in 2020, the REIT issued 12,811 units related to a prior year partial repayment of Note 1. The fair value of the Promissory Notes (including the Put Option and Call Option) was €22,727 ($35,034) as at the date of issuance of the units, which was based on the unit price as at the dates of issuance. The principal outstanding was $45,370 as at the date of issuance. The promissory notes, including the put/call options, were measured at their fair value immediately prior to exercise, meaning that no gain/loss resulted from the issuance of the units as consideration to repay the Notes.

Note 12 – Exchangeable securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	Carrying amount of Exchangeable securities
Balance - December 31, 2019	**897 082**	**9 562**
Asset management fees paid in exchangeable securities	216 581	1 537
Net change in fair value of exchangeable securities	-	(1 154)
Balance - December 31, 2020	**1 113 663**	**9 945**
Net change in fair value of exchangeable securities	**-**	**457**
Balance - September 30, 2021	**1 113 663**	**10 402**

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 distributions on exchangeable securities:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Amount payable at the beginning of the period	**251**	324	**265**	250
Declared and recognized in earnings during the period	**579**	209	**1 032**	602
Distribution on exchangeable securities paid in cash	**(577)**	(284)	**(1 044)**	(601)
Amount payable at the end of the period	**253**	**249**	**253**	**251**

Note 13 – Trade and other payables

	Note	As at September 30, 2021	As at December 31, 2020
Trade payables		**6 096**	3 978
Trade payables - Inovalis SA	*21*	**-**	388
Trade payables		**6 096**	**4 366**
Other payables		**375**	2 181
Other payables - Joint ventures		**501**	899
Distributions payable	*17*	**2 226**	2 227
Distributions payable - Inovalis SA	*21*	**253**	265
VAT payable		**1 637**	1 114
Other payables		**4 992**	**6 686**
Total trade and other payables		**11 088**	**11 052**

Note 14 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Regular rents	**7 788**	7 139	**21 782**	21 187
Amortization of rent free periods (lease incentives)	**(138)**	15	**159**	(36)
Rental income	**7 650**	7 154	**21 941**	21 151
Property operating cost recoveries	**1 506**	1 790	**5 134**	4 915
Total revenue	**9 156**	**8 944**	**27 075**	**26 066**

Note 14 – Revenue from investment properties (Cont'd)

The property operating cost recoveries were as follows:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Taxes	**249**	636	**1 673**	1 646
Insurance	**25**	24	**178**	110
Property management fees	**325**	340	**962**	883
Utilities and other cost recoveries	**907**	790	**2 321**	2 276
Property operating cost recoveries	**1 506**	**1 790**	**5 134**	**4 915**

Note 15 – Expenses

Property operating costs consist of the following:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Property tax expense	**(19)**	**(51)**	**(3 001)**	(2 885)
Insurance	**(30)**	**(31)**	**(217)**	(126)
Property management fees	**(52)**	**(348)**	**(690)**	(1 013)
Utilities	**(1 771)**	**(1 139)**	**(4 218)**	(2 995)
Total property operating costs	**(1 872)**	**(1 569)**	**(8 126)**	**(7 019)**

In accordance with IFRS Interpretations Committee (IFRIC) 21, Levies, 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 nine months ended September 30, 2021, the amount recognized is $721 (2020 - $651).

General and administrative expenses consist of the following:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Asset management fees - Inovalis SA	**(712)**	(786)	**(2 089)**	(2 310)
Less : amount invoiced to joint ventures	**303**	333	**892**	979
	(409)	(453)	**(1 197)**	(1 331)
Professional fees for accounting, tax and audit	**(514)**	(562)	**(1 930)**	(2 260)
Legal expenses	**(174)**	(111)	**(467)**	(1 074)
Other legal expenses related to Strategic Review & SIF conversion	**(35)**	-	**(886)**	-
Trustee fees	**(172)**	(109)	**(603)**	(428)
Travel expenses	**-**	-	**(3)**	(22)
Bank expenses	**(110)**	(38)	**(211)**	(101)
Other general and administrative expenses	**(281)**	(184)	**(963)**	(525)

Note 16 – Finance costs and finance income

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Interest costs related to mortgage loans	**(683)**	(613)	**(2 207)**	(1 799)
Interest costs related to leases liabilities	**(558)**	(640)	**(1 628)**	(1 804)
Interest costs related to lease equalization loans	**(8)**	(14)	**(30)**	(57)
Interest costs related to promissory notes	**-**	(933)	**-**	(2 711)
	(1 249)	**(2 200)**	**(3 865)**	**(6 371)**
Interest SWAP & CAP	**(371)**	(182)	**(992)**	(887)
Other finance costs	**(58)**	(39)	**(33)**	(80)
	(1 678)	**(2 421)**	**(4 890)**	**(7 338)**
Amortization of transaction costs on mortgage loans	**(25)**	(65)	**(73)**	(224)
Finance costs	**(1 703)**	**(2 486)**	**(4 963)**	**(7 562)**
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	**-**	295	**-**	1 619
Finance income from joint venture loans	**850**	1 031	**2 383**	3 017
Other finance income	**39**	235	**192**	1 101
Finance income	**889**	**1 561**	**2 575**	**5 737**

Note 17 – Distributions

	Note	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Amount payable at the beginning of the period		**12 174**	1 974	**2 227**	1 978
Declared and recognised during the period		**6 683**	5 799	**29 995**	17 678
Distributions paid in units		**-**	-	**-**	(1 213)
Paid in cash		**(16 631)**	(5 837)	**(29 996)**	(16 507)
Amount payable at the end of the period	*13*	**2 226**	**1 936**	**2 226**	**1 936**

The amount of distributions payable is included in “Trade and Other Payables”.

Note 18 – 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 12 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at September 30, 2021, 1,113,663 Special Voting Units were issued and outstanding (December 31, 2020 – 1,113,663).

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 20 – Unit Based Compensation Plan). Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the “DRIP”) effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

Note 18 – Trust Units (Cont'd)

Normal course issuer bid

On April 17, 2020 the Toronto Stock Exchange (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.

During the nine months ended September 30, 2021, the REIT did not repurchase or cancel any units. On March 23, 2021, the Board of Trustees approved the termination of the NCIB, effective April 2021.

Note 19 – Accumulated other comprehensive income

	As at September 30, 2021	As at December 31, 2020
Net unrealized gain (loss) on derivatives designated as a hedge of the net investment in foreign entities	**1 290**	(676)
Cumulative translation adjustment account	**14 182**	35 589
Accumulated other comprehensive income	**15 472**	**34 913**

Note 20 - 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 September 30, 2021	As at December 31, 2020
Outstanding at beginning of period	**48 850**	11 782
Granted DU	**10 288**	19 093
Elected DU	**-**	17 051
Cancelled DU	**(6 166)**	-
Exercised	**(22 303)**	-
ADUs earned	**1 028**	924
Outstanding at end of period	**31 697**	**48 850**

Note 20 - Unit-based compensation plan (Cont'd)

As of September 30, 2021, 31,697 DSUs are outstanding and 168,303 DSUs are available for grant under the DSU Plan. There were 22,303 DSUs exercised during the nine months ended September 30, 2021, which resulted in a decrease in the DSU plan liability.

For the nine months ended September 30, 2021, the REIT recorded an expense of $98 and an increase to the liability for the same amount. The total liability related to the DSU plan as of September 30, 2021 was $127 ($433 in June 30, 2021) and was included in Trade and other payables.

Note 21 – 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. Outstanding balances are usually settled in cash, except for management fees to Inovalis SA that were settled quarterly through the issuance of exchangeable securities until Q1 2018 (refer to Note 12 - Exchangeable Securities). The amended management agreement allows for the management fees can be settled quarterly through the issuance of either exchangeable securities or in cash. From Q2 2018 to Q4 2020, the management fees were settled half in exchangeable securities and half in cash based on the REIT's projected cash requirements and following the approval of the Board of Trustees. During the nine-months ended September 30, 2021, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenues						
Interest income from acquisition loan	Finance income	*16*	-	295	-	1 619
			-	**522**	-	**1 619**
Expenses						
Asset management fees	Administration expenses	*A*	**(409)**	(453)	**(1 197)**	(1 331)
Facilities management fees	Service charge expenses		**(117)**	(185)	**(237)**	(332)
Property management Fees	Service charge expenses	*B*	**(445)**	(354)	**(1 039)**	(1 028)
Letting fees invoiced	Service charge expenses		**(2)**	(118)	**(47)**	(118)
less portion accounted for over the lease term	Service charge expenses		**(1)**	112	**40**	112
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(580)**	(210)	**(1 032)**	(602)
Interest expense on lease equalization loans	Finance costs	*16*	**(8)**	(14)	**(30)**	(57)
Reimbursment of travel expenses	Administration expenses		**0**	(25)	**(3)**	(22)
Trustee fees	Administration expenses		**(172)**	(109)	**(603)**	(428)
			(1 735)	**(1 356)**	**(4 148)**	**(3 806)**
Liabilities						
Exchangeable securities issued for the period	Exchangeable securities		-	384	-	1 126
			-	**384**	-	**1 126**

(A) *Asset management fees of $2,089 and $2,310 as at September 30, 2021, and September 30, 2020 respectively, correspond to the asset management fees earned for the entire portfolio, including $892 and $979 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.*

		Due from (to) Inovalis SA	
Inovalis and its subsidiaries	**Note**	**As at September 30, 2021**	**As at December 31, 2020**
Assets			
Trade and other receivables		**538**	263
		538	**263**
Liabilities			
Interest-bearing loan		**402**	510
Lease equalization loans		**-**	371
Distributions payable	*17*	**253**	265
Exchangeable securities	*12*	**10 402**	9 945
Trade and other payables		**-**	388
		11 057	**11 479**

Note 21 – Transactions with related parties (Cont'd)

On March 24, 2021, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that became effective on April 1, 2021.

The following modifications were approved in the amended and restated management agreement:

- **Term:** The extension is for two (2) years ending on March 31, 2023. The agreement may be renewed upon mutual agreement of the parties for an additional term of one (1) year.
- **Asset Management Fees:** Will be calculated as a percentage of Assets Under Management in accordance with the following scale:

Assets Under Management	Annual Asset Management Fee
On the first $1.0 billion	0.5%
From $1.0 billion to $2.0 billion	0.4%
On $2.0 billion and over	0.3%

  The asset management fee will be further reduced by $500,000 once the REIT Finance Function Internalization is completed.
- **Disposition Fees:** Inovalis S.A. will receive a cash fee equal to (a) 1.0% of the gross proceeds resulting from any disposition of a property completed by Inovalis S.A or (b) 0.5% of Assets Under Management in the event of (i) a change of control of the REIT which results in a termination of the management agreement, (ii) a sale of all or substantially all of the assets of the REIT, or (iii) a sale or other disposition of CanCorpEurope S.A. (referred to as Luxco). In all cases, a disposition fee will only be payable to the extent that the net proceeds of any sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT. Furthermore, only one disposition fee shall be payable for each individual asset disposed of, and no disposition fee shall be payable on a change of control of the REIT to the extent that Inovalis S.A. takes any action to oppose the change of control.
- **G&A Budget:** The REIT and Inovalis S.A. will agree to a budget for general and administrative expenses on an annual basis (the "G&A Budgeted Amount"), with any additional proposed expenditures to be approved by the Audit Committee of the REIT. Inovalis S.A. will be obligated to reimburse the REIT for amounts in excess of the G&A Budgeted Amount based on a scale. In the event that the actual G&A expenses of the REIT are significantly less than the G&A Budgeted Amount, the REIT shall pay to Inovalis S.A. an additional fee based on the percentage of the savings in accordance with the following scale:

Percentage of Excess under G&A Budgeted Amount	Percentage of Saved G&A to be paid by the REIT to Inovalis SA
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

- **Manager Reimbursement:** The Manager will reimburse the REIT for any general and administrative expenses in excess of the Annual G&A Budgeted Amount in accordance with the following scale:

Percentage of Excess over G&A Budgeted Amount	Percentage of Excess G&A to be reimbursed by Inovalis S.A. to the REIT
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

  Also, from January 1, 2021 until the completion of the REIT Finance Function Internalization, Inovalis S.A. will reimburse the REIT for 50% of all costs related to the REIT Finance Functions.
- **Change of Control:** Upon the occurrence of a change of control of the REIT, the Board of Trustees has the option to terminate the Management Agreement, exercisable within 90 days.

Note 21 – 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 three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Management fees invoiced to joint ventures	Administration expenses	**303**	(1 625)	**892**	(979)
Property management fees	Service charge expenses	**(114)**	-	**(185)**	-
Letting fees invoiced	Service charge expenses	**16**	-	**(16)**	(30)
less portion accounted for over the lease term	Service charge expenses	**(15)**	-	**14**	24
Finance income	Finance income	**850**	1 031	**2 383**	3 017
		1 040	(594)	**3 088**	**2 032**

		Due from joint ventures	
	Financial statement line item	**As at September 30, 2021**	**As at December 31, 2020**
Assets			
Loan receivable	Investments accounted for using the equity method	**35 689**	40 531
Interest receivables	Other financial assets - current	**855**	1 106
Interest receivables	Other financial assets - non-current	**753**	-
Accounts receivable	Trade and other receivables	**1 699**	-
		38 996	**41 637**
Liabilities			
Balance of sale payable	Trade and other payables	**501**	899
		501	**899**

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 September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Wages, fees and other benefits	(172)	(109)	(603)	(428)
	(172)	**(109)**	**(603)**	**(428)**

Sale of Cologne

On June 29, 2021, the REIT disposed of 6 shares representing a 6% equity interest in SCI Cancorp Cologne for total proceeds of €655 ($963) to SC Advenis IMMO Capital, a company controlled by a related party, Inovalis SA. The REIT recognized a loss on sale of €73 ($108) (refer to Note 7 – Investments in Joint Ventures) relating to the disposition. Included in the loss on sale is €37 ($54) relating to transaction costs directly attributable to the sale. See Note 7 – Investments in Joint Ventures.

Note 22 – 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 September 30, 2021	Level 2	Level 3	Total
Investment properties	-	440 422	**440 422**
Investment property - classified as held for sale	-	104 571	**104 571**
Derivative financial instruments - assets	576	-	**576**
Derivative financial instruments - liabilities	(2 387)	-	**(2 387)**
Exchangeable securities	(10 402)	-	**(10 402)**

As at December 31, 2020	Level 2	Level 3	Total
Investment properties	-	541 218	**541 218**
Derivative financial instruments - assets	15	-	**15**
Derivative financial instruments - liabilities	(5 473)	-	**(5 473)**
Exchangeable securities	(9 945)	-	**(9 945)**

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 September 30, 2021.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using September 30, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2021 of the mortgage loans has been estimated at $158,172 (December 31, 2020 – $159,462) compared with the carrying value before deferred financing costs of $145,661 (December 31, 2020 – $157,489). 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 22 – 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 the end of September 30, 2021, the potential impact of such uncertainties on our 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 Consolidated Financial Statements.

As at September 30, 2021	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	35 689	35 689
Financial liabilities			
Mortgage loans	2	145 661	158 172
Tenant deposits	2	1 563	1 563

As at December 31, 2020	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	40 531	40 531
Financial liabilities			
Mortgage loans	2	157 489	159 462
Lease equalization loans	2	371	371
Tenant deposits	2	2 499	2 499

Note 23 – Cash flow information

	Note	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Adjustments for non-cash items and other reconciling items:			
Loss on sale of investment in joint venture, excluding transaction costs	*7*	**54**	-
Increase in rent-free period	*5*	**(94)**	(290)
Asset mangement fees paid by increase in notes	-	**293**	-
Management fees paid in exchangeable securities	*12*	**-**	1 126
Net change in fair value of investment properties	*5*	**(34 457)**	1 348
Change in classification of finance costs in relation to mortgage loan	*23*	**115**	-
Net change in fair value of financial derivatives	-	**(1 311)**	(399)
Distributions recognized on exchangeable securities	*12*	**1 032**	602
Net change in fair value of exchangeable securities	-	**457**	(2 675)
Net change in fair value of promissory notes	*11*	**-**	(14 152)
Finance income	*16*	**(2 575)**	(5 737)
Finance costs	*16*	**4 963**	7 562
Share of net earnings from investments in joint venture	*7*	**(2 586)**	1 843
Foreign exchange loss (gain)	-	**989**	(2 619)
Net change in fair value of acquisition loan	-	**-**	(270)
		(33 120)	**(13 661)**
Working capital adjustments			
Increase in trade and other receivables	-	**(6 110)**	(4 110)
Decrease in tenant deposits	-	**(514)**	(228)
Increase (Decrease) in trade and other payables	-	**(1 482)**	(15 712)
		(8 106)	**(20 050)**

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

Liabilities	As at December 31, 2020	Cash-flows [1]	Reclassification of financing and deferral costs	Foreign exchange movement	Fair value changes	As at September 30, 2021
Exchangeable securities	9 945	-	-	-	457	**10 402**
Mortgage loans	157 489	(3 163)	115	(8 780)	-	**145 661**
Lease liabilities	130 287	(5 056)	-	(7 216)	-	**118 015**
Lease equalization loans	371	(357)	-	(14)	-	**-**

(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.

Corporate information

Head office

Inovalis REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

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. Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

INOVALIS REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

www.inovalisreit.com