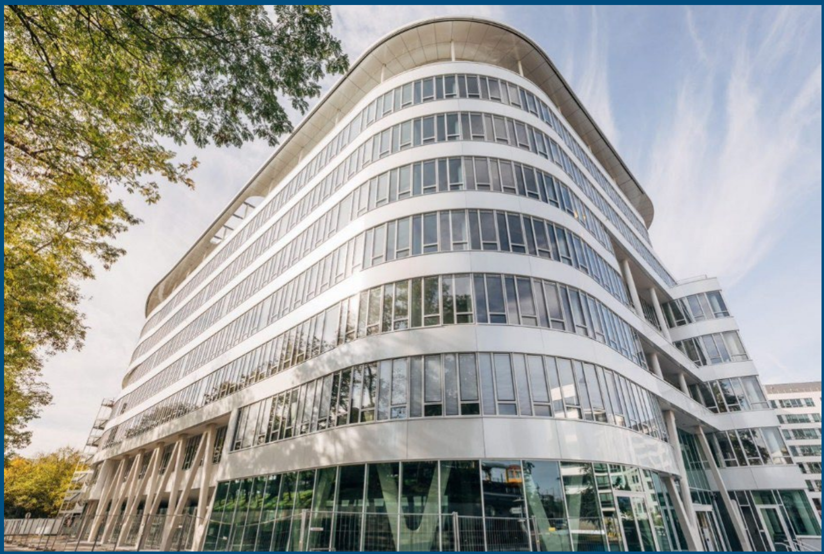
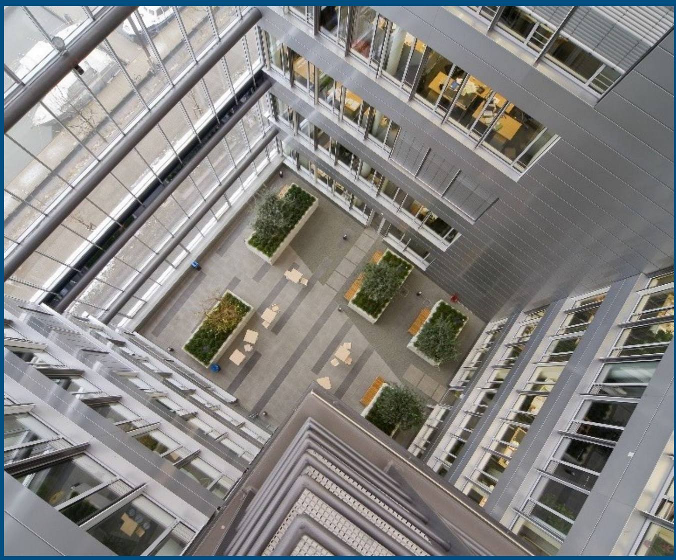
inovalis REIT

Quarterly report

June 30, 2022





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All amounts in the MD&A are presented in thousands of Canadian dollars or Euros, except rental rates, per unit amounts or as otherwise stated. Information contained in this MD&A is based on information available to management as of August 15, 2022.

Letter to Unitholders

Inovalis REIT's Q2 2022 financial results were in-line with our internal forecast. In Q2 2022, the REIT reported FFO and AFFO of CAD$0.14 per Unit, versus CAD$0.13 for the same period last year.

Our new assets, Gaia in Paris and F.Delgado in Spain, acquired late in Q1 have now been fully integrated into the REIT's platform and contributed CAD$1,574 in rental income in Q2. This has been partly offset by the previously forecast impact of vacancies arising from the implementation of the asset recycling plan for three assets.

Since 2021, management have been negotiating lease terminations for tenants in each of the Courbevoie, Baldi and Sabliere properties in Paris to enable redevelopment of these properties into higher density and higher income-producing assets. In addition, total vacancy of the Courbevoie property is required as a condition for the promise to sell this asset in December 2022. The effect of these vacancies is a short-term concession in exchange for longer-term enhanced returns to Unitholders.

Also in the quarter, management effectively renegotiated a material mortgage on the Duisburg asset with a European financial institution at terms that are substantially prefereable than those available in the Canadian market place. As a result, CAD$5,736 has been unlock for redeployment.

The REIT now has a ten-year track record of implementing calculated investments, financing arrangments, development and disposition decisions that renew and strengthen the portfolio. Deep knowledge and experience in the European office markets, advantageous relationships with lenders and tenants and exceptional insight into real estate opportunities are our strengths. The recycling plan for the Baldi, Sabliere and Courbevoie assets is consistent with this performance.

As at June 30, 2022, occupancy for the REIT's IP Portfolio was 78.2% and the Total Portfolio was 82.6%, unchanged from Q1. Seven of the properties are at, or close to, 100% occupancy. In addition, leases extensions are in advanced stages of negotations with major tenants in the Stuttgart and Neu-Isenburg assets.

The Board of Trustees has approved a 50% reduction in the REIT's monthly distribution to Unitholders from $0.068750 per unit to $0.034375 per unit, or from $0.8250 to $0.4125 on an annualized basis effective for the September distribution. The REIT's Units have been trading at a significant discount to net asset value for a length of time and are currently trading at a 22% discount to net asset value. The reduction in distributions will normalize the yield on distributions for the current Unit price of $7.20 to 5.7% from the previous yield of 11.5% and will contribute to the objective of reducing the FFO ratio to <95% by the end of 2022. The reduction in the distributions will provide the REIT with additional retained cash flow of approximately $13 million per annum. The retained cash flow available as a result of the reduction in distributions will be used to fund redevelopment projects that drive long-term net asset value growth. The Board of Trustees will reevaluate the distribution policy on a quarterly basis.

G&A expenses have been successfully reduced by approximately 41% in Q2 2022 compared to Q1 2021 and approximately 32% in H1 2022 compared to the same period in 2021. These savings have been achieved primarily by identifying efficiences in the accounting and financial reporting processes, a reduction in one-time legal expenses that had been previously incurred for the SIF conversion and one-time expenses associated with the strategic review in 2021.The lagging impact of the COVID pandemic and the Russia-Ukraine war has resulted in a lot of volatility in the real estate and capital markets, if only because of the continuing increase in interest rates and inflation worldwide, affecting negatively the trading price of the REIT's Units as it has done so in the markets in general.

But this context might also result in future repricings in European real estate that would offer significant opportunities to deploy more equity in the coming year and leverage our ability to manage effectively, leverage opportunities and deliver steady, reliable returns to Unitholders.

Stéphane Amine
President of Inovalis Real Estate Trust

Net Rental Income

CAD$6.7 Million

Adjusted Net Rental Income – IFRIC 21[1]

CAD$5.7 Million

FFO

CAD$0.14

AFFO

CAD$0.14

Q2 2022

Highlights

Net Rental Income

For the portfolio that includes only assets owned entirely by the REIT ("IP Portfolio"), Net Rental Income ("NOI") for the three months ended June 30, 2022 ("Q2 2022"), was CAD$6,718 (EUR€4,834) compared to CAD$6,918 (EUR€4,602) for the three months ended June 30, 2021 ("Q2 2021"). The slight operational EUR€232 year-on-year increase was not sufficient to offset the negative impact of the foreign exchange rate of CAD$522, leading to a CAD$200 decrease..

The positive impacts came from additional NOI contribution of the new acquisitions, Gaia and Delgado in the amount of CAD$1,574 (EUR€1,133), completed at the end of March 2022, as well as from the lease renewals in the Bad Homburg and Metropolitain properties for CAD$374 (EUR€269).

The sale of Jeuneurs at the end of 2021 and the redevelopment-driven lease terminations in the Baldi, Sabliere and Courbevoie properties in 2021, negatively impacted the Q2 2022 NOI respectively for CAD$853 (EUR€614) and CAD$855 (EUR€615). The three properties are positioned in the asset recycling plan and the complete vacancy of each of the three assets is required for redevelopment or sale of these assets. Long-standing banking covenants on the debt for each of these three assets necessitate minimum occupancy and revenue levels which cannot be maintained throughout the asset recycling program. The REIT has been in communication with banking officials prior to and throughout implementation of this strategy on the implications of these lease terminations on the covenants. Management has requested and expects to receive, formal waivers of these covenants by the lenders for a period of at least 12 months or a modification of the financing terms before the end of the year 2022. The REIT continues to meet all other obligations, covenants, and payments required as per the mortgage loan contracts.

In Q2 2022, Net Rental Income, adjusted for IFRIC 21 for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was CAD$7,595 (EUR€5,462), compared to CAD$8,085 (EUR€5,378) for Q2 2021, a slight decrease for the same reasons described above with respect to the IP Portfolio except for a slightly larger negative foreign exchange loss of CAD$610.

Leasing Operations

All of the REIT's lease contracts in France, Germany and Spain have rental indexation that offsets the impact of inflation. Rent is increased annually to reflect the rising cost of living which protects returns to Unitholders.

In the REIT's Total Portfolio, nearly 10,000 sq. ft. of previously vacant office space were leased over the first half of 2022, primarily in the Metropolitain property which is now 100% occupied, and in the Delizy building which is 75% occupied. A lease extension has been signed [1]on the Trio property for five years for six percent of the property's leaseable space. Voluntary lease terminations are progressing in the Courbevoie property which are required to facilitate the sale of the property on the terms set out in the December 2020 undertaking to sell.

As at June 30, 2022, occupancy for the REIT's IP Portfolio was 78.2% and the Total Portfolio was 82.6%. Seven of the properties are at, or close to, 100% occupancy, and excluding the three properties in the asset recycling plan (Baldi, Courbevoie and Sablière), the occupancy rate would be 93%.

The Investment Portfolio (joint-venture assets) had 95.1% occupancy at June 30, 2022. The weighted average lease term ("WALT") of the Total Portfolio stands at 2.8 years, with two major lease maturities in 2023 for the main tenants of the Arcueil and Neu-Isenburg properties. The Total Portfolio occupancy rate of 82.6% was negatively impacted by the voluntary lease terminations at the Courbevoie property.

Excluding Courbevoie, the REIT's Total Portfolio occupancy rate was 87%. Gaia's occupancy rate of 84% belies the effective 100% rental revenue stream due to the 3-year rental guarantee on the vacant premises that the REIT received in advance at acquisition and which, for accounting purposes, was treated as a reduction in the acquisition price

[1] Adjusted Net Rental Income – IFRIC 21 for the IP Portfolio. See section "Non-GAAP Financial Measures and Other Measures" for definitions.

Highlights (Continued)

and not as rental income. The 16% vacancy has an impact of 1.1% on Total Portfolio occupancy

Renewed interest from prospective tenants during Q2 2022 evidences growing confidence in our Parisian and German portfolio. To bolster leasing efforts, management will selectively complete capital expenditure improvements on vacant areas to attract tenants and maximize rent.

Capital Market Considerations

The REIT has delivered returns to unitholders by providing a superior investment opportunity on the basis of:

- Investment diversification via exposure to selected European markets with a deeply experienced local asset manager;
- Compelling risk/return ratio for commercial real estate, given low rates on 10-year government bonds;
- Lower borrowing costs in the European community compared to Canada, fueled by the European Central Bank (“ECB”) policies; and
- A Euro-currency backed hedge on distributions paid in CAD$, with a benefit in Q2 2022 of CAD$572 in finance income.

The REIT’s Unitholders’ equity on June 30, 2022 was CAD$301,648 (EUR€223,493), which implies a book value per Unit at that date of CAD$9.26/Unit or CAD$9.20/Unit on a fully-diluted basis, using the weighted average number of outstanding Units for the six-month period, despite a $0.58/unit negative foreign exchange impact over the first half of 2022, on a fully-diluted basis.

Adjusted Funds From Operations

The REIT follows the recommendations of the Real Property Association of Canada (“REALPAC”) (January 2022 White Paper) with certain exceptions. Funds from Operations (“FFO”) per unit and Adjusted Funds from Operations (“AFFO”) per unit are Non-GAAP ratios. Non-GAAP ratios do not have standardized meaning under IFRS. These measures as computed by the REIT may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other entities. Refer to the Non-GAAP Financial Measures and Other Measures section of this MD&A for a more detailed discussion on FFO and AFFO.

In Q2 2022, the REIT reported FFO and AFFO of CAD$0.14 per Unit, versus CAD$0.13 for the same period last year[1]. The AFFO payout ratio, a non-GAAP measure of the sustainability of the REIT’s distributions, is 149% for the Q2 2022. Management has established the goal of reducing the AFFO payout ratio to <95% by the end of Q4 2022, by investing available cash in accretive assets, asset recycling, and improving global occupancy.

Financing Activity

The REIT is financed almost exclusively with asset-level, non-recourse financing with an average term to maturity of 3.6 years for the Total Portfolio (3.8 years on the IP Portfolio).

As at June 30, 2022, the weighted average interest rate was 1.92% across the IP Portfolio and 1.93% on the Total Portfolio. The latest mortgage loan refinancing undertaken on the Duisburg property bears interest at 2.47%, reflecting the increase in interest rates on global financing markets.

Although hikes of the ECB key lending rates are anticipated in the remainder of 2022, management is confident that the REIT will continue to access financing opportunities. Historically low interest rates in Europe are less costly than those offered by traditional financing in Canada and the REIT has leveraged this advantage through its access to banking networks in Europe, as evidenced by the latest transactions.

Stuttgart, Germany

[1] FFO and AFFO are non-GAAP measures. See the section "Non-GAAP Financial Measures and Other Measures" for more information on the REIT's Non-GAAP measures. A reconciliation of FFO and AFFO to Net Income can be found under the section Non-GAAP Reconciliation (FFO and AFFO).

Highlights (Continued)

On the Stuttgart property, 50% held in a joint venture partnership, lease extension negotiations with the main tenant (93% occupancy), Daimler Trucks, are near

completion. The new lease which is on the same financial terms (CAD$3,692;EUR€2,735 annual rent for 100%

ownership), will lead to a WALT on the building of 6.7 years with a firm period of 4.8 years. Upon finalization of the lease, a total of CAD$1,215 (EUR€900) for 100% ownership will be invested in a capital expenditure subsidy that will be partially recoverable if early lease break options are exercised.

The lease is currently in the process for obtaining signatures. The increased occupancy of this asset may provide an opportunity for refinancing before maturity of the current CAD$33,203 (EUR€24,600) bullet mortgage loan on improved terms.

Courbevoie (Veronese), France

The pending sale of the Courbevoie asset for CAD$36,711 (EUR€27,200) is contingent on the buyer obtaining a

building permit and the REIT terminating all leases for tenants currently occupying the asset. At the end of June 2022, in line with the agreements signed in Q4 2021, two more tenants vacated the property. In Q2 2022, an extension to the commitment to sell was agreed on with the buyers for a sale to be completed by the end of December 2022 when the permit recourses are cleared and vacancy conditions are to be fulfilled. Management has estimated the terminations will cost a total of CAD$3,447 (EUR€2,554) to complete. Given the uncertainty related to the conditions attached to the promise to sell and the final timing of closing which has been deferred from Q1 2022 to the end of 2022, the Courbevoie property does not qualify for the presentation as an asset held for sale as of June 30, 2022.

Duisburg, Germany

The Duisburg property is 100% leased as at June 30, 2022, with a WALT of 4.8 years. In May 2022 the refinancing was completed on the previous CAD$33,067 (EUR€24,500) mortgage loan with a replacement CAD$44,540 (EUR€33,000) five-year term mortgage loan at a 2.47% fixed interest rate, with a new financing institution. The refinancing generated for the REIT share about CAD$5,736 cash for joint venture loan repayment..

The main tenant in the Duisburg asset exercised an early break option, effective in December 2022 that will lead to a 87.6% occupancy if the space has not been leased to a new tenant by year end. Leasing activity for this space is underway.

Distributions

The Board of Trustees has determined to reduce the REIT’s monthly distribution to Unitholders from $0.068750 per unit to $0.034375 per unit, or from $0.8250 to $0.4125 on an annualized basis. The reduction in distributions will normalize the yield on distributions for the current Unit price of $7.20 to 5.7% from the previous yield of 11.5% and will contribute to the objective of reducing the FFO ratio to <95% by the end of 2022. The REIT’s Units are currently trading at a 22% discount to net asset value. The reduction in the distributions will provide the REIT with additional retained cash flow of approximately $13 million per annum. The decrease in distributions will be effective beginning with the REIT's September 2022 distribution (the “September Distribution”), payable to Unitholders in October 2022. The retained cash flow available as a result of the reduction in distributions will be used to fund redevelopment projects that drive long-term net asset value growth. The Board of Trustees will reevaluate the distribution policy on a quarterly basis.

Th Board of Trustees also announced today that it has decided not to proceed with its previously announced initiative to automatically distribute to unitholders 50% of all profits received from the sale of its properties. The Board of Trustees has determined that, rather than implement this as a defined practice, it would be prudent to make such determination for any potential special distribution resulting from a sale of a property on a case by case basis, based on then prevailing opportunities .

Distribution Reinvestment Plan

The REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the

September Distribution. The DRIP will remain suspended until further notice and commencing with the September Distribution, distributions of the REIT will be paid only in cash. Upon reinstatement of the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP. The decision to suspend the DRIP was taken by the Board of Trustees given that the current trading price of the REIT is currently below the REIT's net asset value and therefore the Trustees do not believe it is in the best interests of the REIT or its Unitholders to issue Units at current prices.

Environmental, Social and Governance (ESG)

Integrating ESG objectives and strategies into the REIT's business reflects the growing importance these factors play with many of our key stakeholders. Investors recognize the risks associated with changing regulatory requirements, tenants are including sustainability considerations in their leasing decisions, and employees want to work for responsible and socially-focused organizations. The REIT is working to improve its long-term environmental performance, and also invest in "human capital" for the implementation and monitoring of all ESG initiatives. Management is overseeing a portfolio-wide ESG independent audit of all assets, with the view to formalizing ESG priorities. The exercise will identify clear and measurable ESG practices and disclosures which we will apply and ensure are addressed by our third-party service providers.

Refiled Financial Statements, MD&A and Annual Information Form

As a result of the requirement to reclassify $24 million of senior debt as short term debt, the REIT has refiled its 2021 audited financial statements and unaudited Q1 2022 financial statements in addtion to the MD&A accompanying each of those statements, and the 2021 Annual Information Form. The reclassification of the $24 million of senior debt to short term debt was required as a result of the non-compliance with certain banking covenants during such periods arising from the strategic reduction in occupancy of these assets and planned repayment of these loans pursant to the REIT's asset recycling strategy. This revised disclosure has been made pursuant to IFRS reporting requirements and has no effect on the REIT's results or cashflows. All loans are paid to date and the financial institutions involved are fully aware of the situation and have not indicated any intention to enforce the terms of these particular covenants. No further adjustments have been made to the previously released financial statements of the REIT.

Management's Discussions and Analysis

Basis of Presentation

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Inovalis Real Estate Investment Trust (the "REIT") should be read in conjunction with the REIT's unaudited condensed interim consolidated financial statements as at June 30, 2022, and for the three and six months ended June 30, 2022, and 2021, and with the notes thereto. 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.

Dollar amounts in this MD&A are presented in thousands of Canadian dollars and Euros, except rental rates, per unit amounts or as otherwise stated.

Historical results, including trends which might appear in this MD&A, should not be taken as indicative of future operations or results. See "Forward-Looking Information" for further details. Information contained in this MD&A, including forward-looking information, is based on information available to management as of August 12, 2022. Additional information about Inovalis REIT has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com.

Forward-Looking Information

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding the REIT's future results, performance, achievements, prospects, costs, opportunities, and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities.

Although management believes that the expectations reflected in the forward-looking information are reasonable, no assurance can be given that these expectations will prove to be correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following:

(i) the ability to continue to receive financing on acceptable terms;

(ii) the future level of indebtedness and the REIT's future growth potential will remain consistent with current expectations;

(iii) there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, structure, or distributions;

(iv) the REIT will retain and continue to attract qualified and knowledgeable personnel as the portfolio and business grow;

(v) the impact of the current economic climate and the current global financial conditions on operations, including the REIT's financing capability and asset value, will remain consistent with current expectations;

(vi) there will be no material changes to government and environmental regulations that could adversely affect operations;

(vii) conditions in the international and, in particular, the French, German, Spanish and other European real estate markets, including competition for acquisitions, will be consistent with past conditions;

(viii) capital markets will provide the REIT with readily available access to equity and/or debt financing, including any intensification thereof, and

(ix) the impact the COVID-19 pandemic will have on the REIT's operations, the demand for the REIT's properties and global supply chains and economic activity in general.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its growth and capital deployment strategies;
- the impact of changing conditions in the European office market;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand in the REIT's demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the duration and ultimate impact of the COVID-19 pandemic and related government interventions;
- the geopolitical conflict in the Ukraine and Russia on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic downturn;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under ''Risk and Uncertainties'' in this MD&A.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under ''Risks and Uncertainties'' should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known or that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Certain statements included in this MD&A may be considered a ''financial outlook'' for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this MD&A. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Market and Industry Data

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information, as well as industry data prepared by Inovalis S.A. based on its knowledge of the commercial real estate industry (including Inovalis S.A. estimates and assumptions relating to the industry based on that knowledge). Inovalis S.A.'s management has knowledge of the real estate industry developed through its 30 plus years of experience and participation in the industry.

Business Overview and Strategy

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. The REIT was founded and sponsored by Inovalis S.A, the asset manager. The REIT's Units have been listed on the Toronto Stock Exchange under the trading symbol INO.UN since April 10, 2013. The head and registered office of the REIT is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

The REIT's long-term objectives are to:

- generate attractive cash distributions on a tax-efficient basis from investments in income-producing office properties;
- grow the asset base, primarily in France, Germany and Spain, but also opportunistically in other European countries where assets meet the investment criteria;
- identify and sell assets having achieved exceptional valuation growth and redeploy the capital in selected assets with long-term high potential;
- ensure distribution to Unitholders, through an accretive acquisition program that successfully leverages Inovalis S.A.'s extensive relationships and depth of commercial property and financing; and,
- maximize the long-term value of stable income-generating properties and the net asset value ("NAV") per Unit through active and efficient management.

The REIT's investment criteria encompass office properties outside of Canada with an occupancy level above 80% (unless AFFO accretive), secured rental cash flows, a property value between EUR€20,000 to EUR€60,000 (unless AFFO accretive) and potential future upside with respect to matters including rent and area development. According to management, the target investment size falls within a very liquid segment of the real estate market in Europe, and debt financing for such acquisitions is readily available from local lenders.

Foreign Currency Environment

The REIT's current asset base is located in France, Germany and Spain. Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the REIT's subsidiaries and joint ventures is the Euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar. As such, although the REIT's main assets and liabilities are denominated in Euros, the REIT's financial results are translated into Canadian dollars for presentation purposes as follows:

- Assets and liabilities are converted to CAD$ at the closing rate at the date of the consolidated balance sheet;
- Items presented in the consolidated statement of earnings, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income, expenses and cash flows are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income and recognized as a cumulative translation adjustment account in "Accumulated other comprehensive income" in equity.

A change in the EUR€/CAD$ foreign exchange rate therefore may have a material impact on the REIT's consolidated financial statements and results.

The exchange rate used throughout this MD&A for statement of earnings items is the average rate during the applicable period, which for six months ended June 30, 2022 and 2021 was CAD$1.3897 and CAD$1.5032, respectively.

For balance sheet items as at June 30, 2022, projections, or market data, the exchange rate used is CAD$1.3497 (CAD$1.4380 as at December 31, 2021).

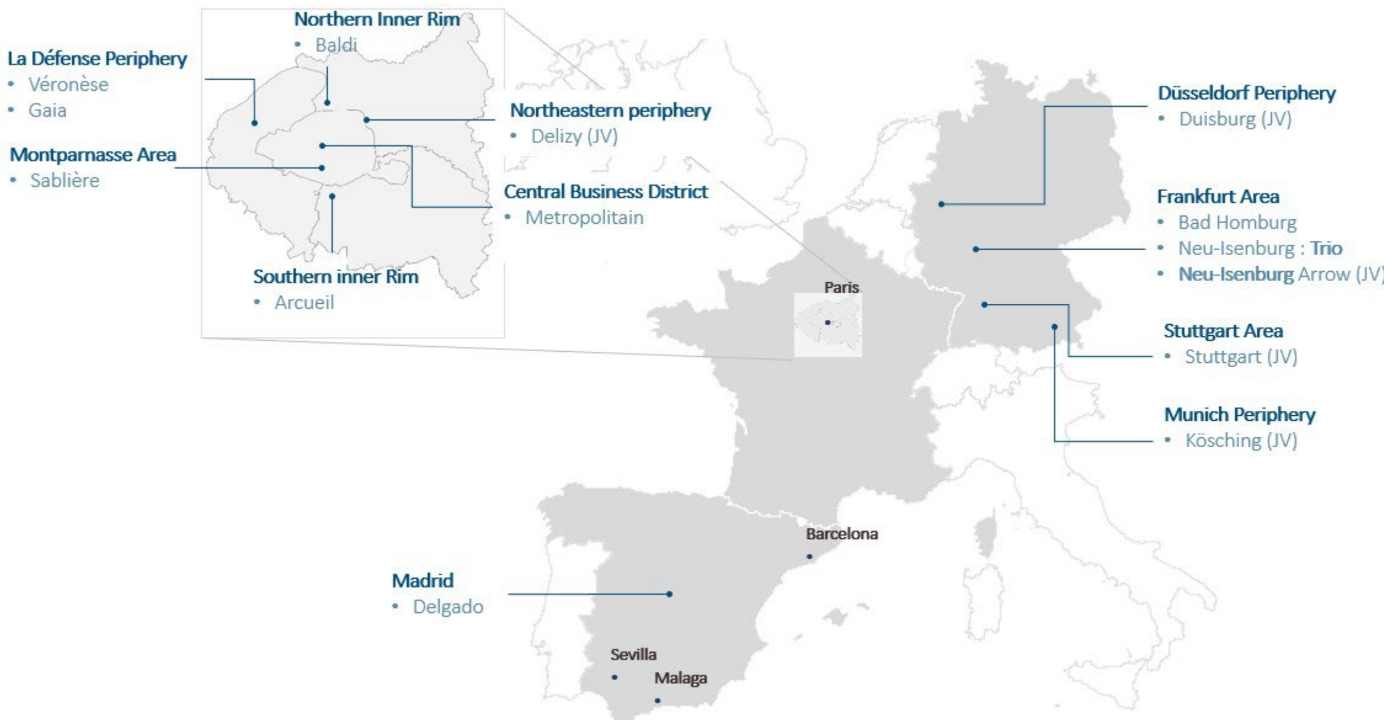
Over the first half of 2022, the Canadian dollar strengthened by approximately 6.1% relative to the Euro.

Business Environment[1]

The REIT owns varying interests in real estate entities which hold investment properties. Under IFRS, some of these interests are recorded as joint ventures in which the REIT holds equity. As at June 30, 2022, the REIT's property portfolio consists of ownership interest in nine properties that are consolidated and included in "Investment properties" ("IP") on the balance sheet, and partial ownership interests in five properties that are included within "Investments in joint ventures". As such, the results of these investments in joint ventures are not included in certain of our consolidated financial and operating metrics, unless specifically indicated that such metrics are presented on a "Total Portfolio" basis in which case such results are prepared on a proportionate share basis.

Together, the REIT's share of these 14 properties (7 located in France, 6 located in Germany and 1 in Spain) is approximately 1.6 million square feet of gross leasable area ("GLA")

The assets denoted in the maps below are owned entirely by the REIT except where percentage or joint venture (JV) is noted.



France

Despite a troubled geopolitical and economic context in Europe, the volume of commercial real estate investment increased quarter-on-quarter, from CAD$6.75 billion in Q1 2022 to €8.75 billion in Q2 2022.

The French market's rebound is mainly due to a higher level of transactions in industrial and logistics assets and in retail assets, with CAD$2.70 billion and CAD$1.35 billion of disposals respectively over the last three months.

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[1] *Sources: Colliers / EMEA Capital Markets Snapshot | Q2 2022.*

Three major transactions were concluded in the office segment of transaction over CAD$270 million: The “Rio” building in the Paris central business district for CAD$365 million, “Carré Suffren” in the 15th district of Paris for CAD$337 and the high-rise building “La Marseillaise” for CAD$310 million. This market segment had been slowing for several months.

This positive trend in investment volumes masks a real concern among investors about the trajectory of yields: the rise in 10-year government bond yields and the increased cost of debt will inevitably impact prime rates in the next three to six months to a variable extent, currently estimated at between 25 and 75 basis points.

Germany

COVID-19, the war in Ukraine and the corresponding rapid rise in inflation have encouraged investors to restructure their investment strategies and adopt a wait-and-see attitude. However, record Q1 2022 results led to an impressive overall H1 result of CAD$38.3 billion, the second strongest of the decade, notwithstanding Q2’s below-average volumes.

The gap between asking and bid prices has widened. Sales negotiations are being prolonged or put on hold in the expectation that more clarity around pricing will emerge over the summer. This will largely determine transaction activity over the remainder of the year.

Rough estimates from ongoing transactions show price reductions of 10 to 25 basis points (bps) for office assets in Germany’s top seven markets, which are likely to climb above the 3% yield mark for the first time in quite a while.

None of the top seven cities were able to hit their 5-year averages during Q2, primarily due to the absence of high-volume deals and portfolios. Against the backdrop of increasing debt costs, equity-heavy and distribution-oriented institutional investors expected to form the backbone of the investment market in the months to come, along with family offices and discretionary funded vehicles.

Spain

In Q2 2022, investments in office totaled CAD$922 million (12.7% in volume of the total), far behind the leading retail sector (46% in volume).

H1 investment volume in the office sector reached almost CAD$2.0 billion. Madrid remains the main destination, accounting for 52% of investment, followed by Barcelona with 32%. In Madrid demand is very strong within the M30 ring road, while in Barcelona demand is focused on the CBD and the 22nd district. That said few deals are materializing due to market uncertainty and a lack of quality product meeting ESG criteria.

Outlook

The REIT has begun 2022 by successfully implementing its investment growth strategy. The purchase agreements signed in March 2022 for the Gaia and Delgado properties were the first steps in the redeployment of the REIT’s available cash.

The temporary drag on occupancy from the ongoing strategic lease termination process at Courbevoie which remains under a promise to sell, and from Baldi and Sablière, both included in the asset recycling program, is being offset by growth in occupancy in the Metropolitain, Bad Homburg and Duisburg properties.

Portfolio Overview

The REIT's Total Portfolio by geography as at June 30, 2022 is as follows:

Asset	% owned	Fair value	Bank debt	REIT's Total Portfolio Value	Gross Leaseable Area (GLA) (sq. ft.)	Contribution to Total Portfolio rental revenue	# of tenants	Occupancy rate	Weighted occupancy rate	WALT (end of lease)
Courbevoie	100%	28,283	9,470	5%	95,903	1%	4	11%	11.6%	0.4
Sablière	100%	27,637	14,496	4%	41,043	3%	6	45%	45.5%	3.3
Baldi	100%	25,621	5,800	4%	123,657	2%	9	34%	31.2%	3.8
Metropolitain	100%	95,597	52,294	16%	78,818	12%	6	100%	100.0%	5.1
Arcueil	100%	114,228	51,673	19%	334,521	28%	1	100%	100.0%	0.7
Gaia	100%	60,168	28,796	10%	119,499	9%	7	84%	83.1%	6.7
Délizy (1)	50%	17,357	9,539	2%	71,617	3%	19	75%	74.5%	3.6
Subtotal France		**368,891**	**172,068**	**59%**	**865,058**	**58%**	**52**	**73.8%**	**72.2%**	**2.7**
Trio	95%	59,657	40,523	10%	193,914	11%	7	87%	87.1%	3.4
Bad Homburg	100%	30,098	15,037	5%	109,104	5%	5	71%	76.8%	3.8
Delgado	100%	41,070	21,594	7%	119,922	6%	2	100%	100.0%	4.7
Duisburg (1)	50%	41,166	22,238	7%	108,960	7%	2	100%	100.0%	4.8
Stuttgart (1)	50%	29,035	16,639	5%	121,416	6%	5	99%	99.7%	2.2
Neu-Isenburg (1)	50%	26,897	15,476	4%	67,334	4%	5	98%	97.8%	1.4
Kösching (1)	50%	19,327	9,077	3%	53,058	3%	1	100%	100.0%	5.4
Subtotal Germany & Spain		**247,250**	**140,583**	**41%**	**773,708**	**42%**	**27**	**91.0%**	**92.1%**	**3.4**
Total Portfolio		**616,141**	**312,651**	**100%**	**1,638,766**	**100%**	**79**	**82.6%**	**82.5%**	**2.8**
IP Portfolio		**482,359**	**239,682**	**78%**	**1,216,381**	**77%**	**47**	**78.2%**	**77.9%**	**3.1**
JV Portfolio		**133,782**	**72,970**	**22%**	**422,385**	**23%**	**32**	**95.1%**	**95.2%**	**3.3**

(1) Represents investments that are classified as joint ventures and subject to equity-accounting. The results included in the table above (excluding the number of tenants, occupancy metrics, and weighted average lease term) are presented on a proportionate share basis at the REIT's ownership percentage of the related investment.

- The **Courbevoie property** is in the process of being sold for redevelopment and negotiation for the termination of leases is underway. All tenants must be vacated prior to the final closing which is anticipated for Q4 2022. The vacant space at the property reduced the Total Portfolio occupancy rate by 4.5% as at June 30, 2022.
- Following the departure of their main tenants, the **Baldi and Sablière properties** are now included in the REIT's asset recycling plan, their low occupancy allowing for a new redevelopment strategy.
- The vacant space (9%) on the **Metropolitain property,** located in the Paris central business district**,** has been leased in Q1 2022 to an existing tenant on higher rental terms over a firm period of 9 years. The occupancy rate is 100% as at end of June 2022.
- The lease with Orange, the sole tenant of the **Arcueil property**, matures in March 2023. Discussions are underway for renewal of the lease. Given the low WALT on this property, the external appraisers have adjusted their assumptions to reflect the current situation of 75% non-renewal probability and deducted potential leasing costs. The book value of the property thus declined by 12% (excluding the foreign exchange impact). Outside of lease negotiations with the Orange, alternative redevelopment strategies for this property are under consideration.
- Upon acquisition of **the Gaia property**, Management obtained in cash a CAD$3,342 rental guarantee that covers both a three-year vacancy, and the costs of rent-free periods. The occupancy rate is 84%, however the effective occupancy rate is 100% until the beginning of 2025 due to the rental guarantee. Management is already actively working on leasing the vacant area. Taking into account the effect of this rental guarantee, the Total Portfolio occupancy rate would be 1.1% higher at 83.7%.
- On the **Trio property,** marketing of the 13% vacant area is underway. An 5-year lease extension has been signed on 6% of building area. And a new lease is in the process of signature on 2,153 sq.ft. storage area (2%).
- Management has finalized in Q1 2022 the extension of the **Bad Homburg property** senior debt for one year on the same overall conditions, allowing additional time for leasing of vacant space. Management intends to increase the occupancy rate to 85% by March 2023 which is the date of the mortgage maturity and obtain improved refinancing terms at that time.

- The **Delgado property** in Spain, acquired in March 2022, is fully leased to two blue-chip tenants on long term leases maturing at the end of 2024 and in June 2029.
- In May 2022, **on the Duisburg property**, the renegotiation of a five-year-bullet mortgage loan on CAD$44,540 (EUR€33,000), was completed, the proceeds of which provides financing for committed and future capital expenditure requirements, the payment of deferred interest on the joint venture loan, and generated approximatively CAD$5,736 (EUR€4,250) for capital reimbursement on the joint venture loan.
- The lease renewal with Daimler Truck, the main tenant in the **Stuttgart property,** is in the process of signature. The current lease is maturing in May 2024. See *Highlights* section.
- For the Neu-Isenburg property, the current main lease (Arrow) expires in June 2023. Negotiations are underway for the potential lease extension on 75% of the current office space.

Tenant Profile

As at June 30, 2022, the REIT had 47 tenants across the IP Portfolio compared to 38 tenants, as at December 31, 2021, and 79 tenants across the Total Portfolio, compared to 70, as at December 31, 2021.

All lease contracts have rental indexation based on the Construction Costs Index (*Indice du Coût de la Construction* “ICC”), the average Tertiary Activities Rent Index (*Indice des Loyers des Activités Tertiaires* “ILAT”) and the Consumer Price Index – CPI, or the German or Spanish Consumer Price Index, as applicable.

Investment Property Portfolio

The following table shows the five largest tenants across the Investment Property portfolio (interests that the REIT has in properties held through joint ventures). The tenant base is well diversified by industry segment, with many national and multinational tenants.

Tenant	Property	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	Weighted Areas (sq. ft.) (1)	% of Weighted Areas	Average remaining lease term (years)
Orange	Arcueil	Telecommunications	36%	334,521	284,958	26.6%	0.7
The Lorenz Bahlsen Snack-World	Trio	Food and beverage	8%	86,501	81,870	7.6%	3.5
ITP Aero	Delgado	Aeronautics	4%	60,483	59,159	5.5%	2.5
Indra	Delgado	IT systems	4%	59,439	58,115	5.4%	6.9
Fresenius	Bad Homburg	Health care	4%	44,942	41,611	3.9%	1.6
Top 5 tenants			**55%**	**585,886**	**525,713**	**49.1%**	**2.1**
Other tenants		Diversified	45%	365,756	308,817	28.8%	4.8
Vacant				264,740	237,017	22.0%	
IP Portfolio			**100%**	**1,216,381**	**1,071,546**	**100.0%**	**3.1**

(1) Activity, storage and shared-restaurant space are usually rented at about a third of office areas, and thus they are being accounted for at a third of their effective areas in the weighted areas.

The tenant base is well diversified by industry segment, with many national and multinational tenants.

Total Portfolio

The following table shows the REIT’s five largest tenants across the Total Portfolio, including interests that the REIT has in properties held in joint ventures.

Tenant	Property	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	Weighted Areas (sq. ft.) (1)	% of Weighted Areas	Average remaining lease term (years)
Orange	Arcueil	Telecommunications	28%	334,521	284,958	19.6%	0.7
Daimler Truck	Stuttgart	Manufacturer	6%	109,136	100,486	6.9%	1.9
The Lorenz Bahlsen Snack-World	Trio	Food and beverage	6%	86,501	81,870	5.6%	3.5
Hitachi Power	Duisburg	Manufacturer	5%	82,800	78,138	5.4%	5.5
ITP Aero	Delgado	Aeronautics	5%	60,483	59,159	4.1%	2.5
Top 5 tenants			**50%**	**673,441**	**604,611**	**41.5%**	**2.1**
Other tenants		Diversified	50%	679,940	593,822	40.8%	3.5
Vacant				285,385	255,395	17.7%	
Total Portfolio			**100%**	**1,638,766**	**1,453,828**	**100.0%**	**2.8**

(1) Activity, storage and shared-restaurant space are usually rented at about a third of office areas and thus they are being accounted for at a third of their effective areas in the weighted areas.

Occupancy and Leasing Activity

The change in the IP Portfolio occupancy and leasing activity by geography for the six months ended June 30, 2022 was as follows:

IP Portfolio	January 1, 2022	Acquisition / Disposition	New leases	Lease Expiries	Other changes	June 30, 2022	Occupancy rate	Total space (sq. ft)
France	502,228	119,499	6,900	(24,951)	(18,535)	585,141	73.7%	585,141
Germany	246,577	-	-	-	-	246,577	81.4%	246,577
Spain	-	119,922	-	-	-	119,922	100.0%	119,922
Total IP Portfolio	**748,805**	**239,421**	**6,900**	**(24,951)**	**(18,535)**	**951,640**	**78.2%**	**951,640**

The column “Other changes” in the above and below tables refers to the vacant areas of the newly acquired Gaia property.

On a proportionate share basis, including joint ventures at our proportionate ownership interest, the operating metrics by geography as at June 30, 2022, are as follows:

Total Portfolio	January 1, 2022	Acquisition / Disposition	New leases	Lease Expiries	Other changes	June 30, 2022	Occupancy rate	Total space (sq. ft)
France	552,675	119,499	9,841	(24,951)	(18,535)	638,529	73.8%	638,529
Germany	594,933	-	-	-	-	594,933	91.0%	594,933
Spain	-	119,922	-	-	-	119,922	100.0%	119,922
Total Portfolio	**1,147,608**	**239,421**	**9,842**	**(24,951)**	**(18,535)**	**1,353,384**	**82.6%**	**1,353,384**

The above table shows the positive impact of the joint venture portfolio on the Total Portfolio occupancy rate. If the REIT fully owned the five joint venture owned assets, the Total Portfolio occupancy would be 2.4% higher or 85%.

The Courbevoie property which is being vacated as a condition of sale was a drag on the Total Portfolio occupancy rate by 4.5% as at June 30, 2022. The expected disposition of this property in December 2022 will lead to an adjusted Total Portfolio occupancy rate of 87.1% on a same property basis.

New Leases Signed During the Quarter:

- On the Trio property, a lease extension was signed on 12,583 sq.ft. office space (6.4% occupancy) for 5 years with a break option after 3 years.

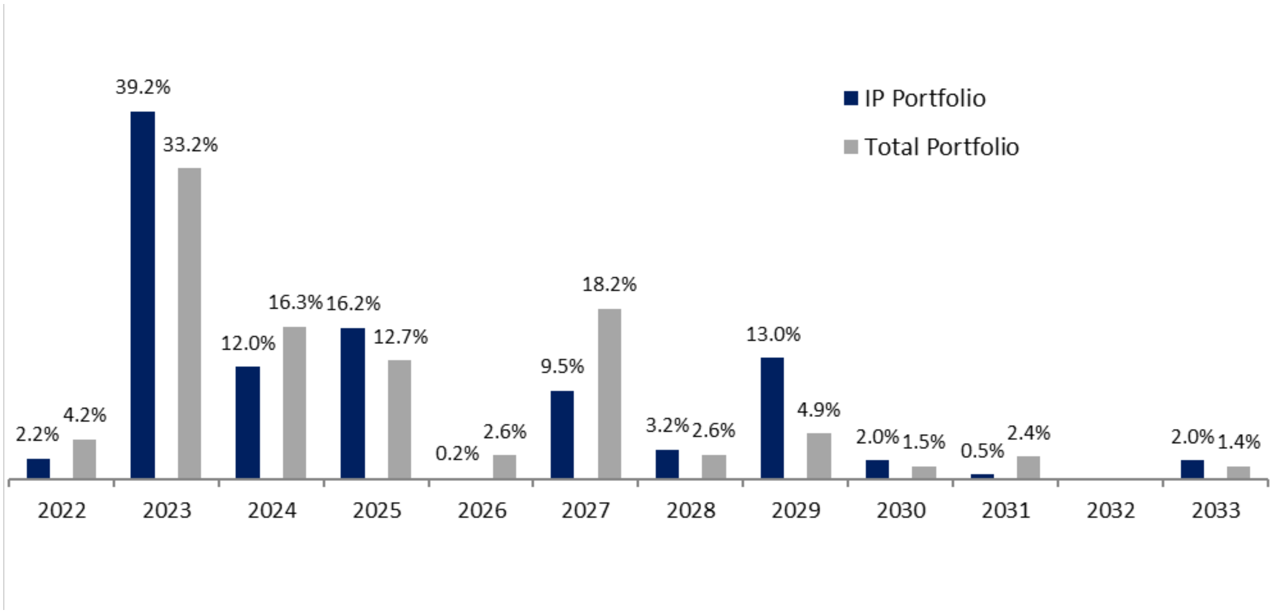
Lease Termination During the Quarter:

- On June 23, Management received the break option letter for the 5th floor occupied by the main tenant in the Duisburg property. This break option is effective on December 31, 2022 and would decrease the occupancy rate to 87.6%, Management is already marketing the vacant areas on this attractive building.

Lease Maturities

Lease Maturity Profile as at June 30, 2022

(% of total GLA)



The above graph sets out the percentage of total GLA of the IP Portfolio and Total Portfolio subject to leases expiring by year (excluding early lease terminations).

The average remaining lease term, not including tenant early termination rights, in the IP Portfolio is 3.1 years (2.8 years for the Total Portfolio). Assuming all tenants exercise their early termination rights and leave at the earliest possible date, which the REIT believes is unlikely, the average remaining lease term in the portfolio is 2.5 years (Total Portfolio 2.4 years).

The 2023 peak relates to the single-tenant Arcueil property and to the Neu-Isenburg property, in which the main tenant's lease (81% occupancy) expires in June 2023. Management is in negotiations for lease renewals on these properties (cf. Portfolio overview section).

Discussion of Financial Performance

Non-GAAP Financial Measures and Other Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS. These measures include funds from operations, adjusted funds from operations, and other measures presented on a proportionate share basis. These measures have been derived from the REIT's financial statements and applied on a consistent basis as appropriate. Management includes these measures as they represent key performance indicators to management, and it believes certain investors use these measures as a means of assessing relative financial performance. These measures, as computed by the REIT, may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

"**Accretive Assets**" means that, at the time of the asset acquisition, the pro forma (post-deal) net income per Unit is forecast as higher than the REIT's (pre-deal) net income per Unit.

"**Adjusted Funds From Operations**" or "**AFFO**" is a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund expansion capital expenditures, fund property development, and provide distributions to unitholders after considering costs associated with sustaining operating earnings.

AFFO calculations are reconciled to net income, which is the most directly comparable IFRS measure. AFFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

AFFO is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight-line rents, (ii) the cash effect of the rental guarantee received, (iii) the cash effect of the lease equalization loans, (iv) amortization of fair value adjustment on assumed debt, (v) the non-cash portion of the asset management fees paid in Exchangeable Securities, (vi) capital expenditures, excluding those funded by a dedicated cash reserve or capex financing, and (vii) amortization of transaction costs on mortgage loans.

"**Adjusted Funds From Operations / Unit**" or "**AFFO / Unit**" is AFFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**AFFO Payout Ratio**" is the value of declared distributions on Units and Exchangeable Securities & promissory notes (if any), excluding any participatory distribution, divided by AFFO.

"**Average term to maturity**" refers to the average number of years remaining in the lease term

"**Book value per Unit**" refers to the REIT's total equity divided by the Weighted Average number of Units and Exchangeable Securities (on a fully diluted basis).

"**Debt-to-Gross-Book Value**" refers to the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on a IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) lease equalization loans, (iv) other long-term liabilities, and (v) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and promissory notes (if any) and at the joint venture level for the contribution from the REIT and its partners.

"**Exchangeable Securities**" means the exchangeable securities issued by CanCorp Europe, in the form of interest bearing notes, non-interest bearing notes, share premium and common shares.

"**Fully diluted basis**" refers to a nominal value divided by the issued and outstanding Units, plus Exchangeable Securities.

"**Funds From Operations**" or "**FFO"** follows the definition prescribed by the Real Estate Property Association of Canada (''REALPAC'') White Paper (''White Paper'') on Funds From Operations & Adjusted Funds From Operations, dated January 2022.

Management considers FFO to be a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund capital expenditures, and provide distributions to unitholders.

As an exception, considering the significant amount of cash held in Euros in Canada and the volatility of the Canadian dollar against the Euro, the unrealized gain (loss) recognized for the three and six months ended June 30, 2022, and 2021, have been excluded from the FFO calculation. Finally, non-recurring administrative expenses relating to items that are not reasonably likely to occur within two years prior to, or following the disclosure, are adjusted have also been excluded from FFO.

FFO is reconciled to net income, which is the most directly comparable IFRS measure. FFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

FFO for the REIT is defined as net income in accordance with IFRS, subject to certain adjustments including adjustments for: (i) acquisition, eviction and disposal costs (if any), (ii) net change in fair value of investment properties, (iii) net change in fair value of derivative financial instruments at fair value through profit and loss, (iv) net changes in fair value of Exchangeable Securities, (v) finance costs related to distribution on Exchangeable Securities, (vi) adjustment for property taxes accounted for under IFRIC 21 (if any), (vii) loss on exercise of lease option (if any), (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation (if any), (ix) gain or loss on disposal of investment properties or an interest in a subsidiary (if any), (x) finance income earned from loans to joint ventures (if any), (xi) loss on extinguishment of loans (if any), (xii) deferred taxes, (xiii) non-controlling interest, (xiv) goodwill / bargain purchase gains upon acquisition, and (xv) income taxes on sale of investment properties and provision for tax reassessment.

Exchangeable Securities and promissory notes (if any) are recorded as liabilities. Exchangeable Securities and promissory notes are recorded at fair value through profit and loss in accordance with IFRS. However, both are considered as equity for the purposes of calculating FFO and AFFO, as they are economically equivalent to the REIT's Units, with the same features and distribution rights, that are economically equivalent to the distribution received by unitholders.

"**Funds From Operations / Unit**" or "**FFO / Unit**" is FFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**Gross book value**" refers to the total consolidated assets for the IP Portfolio and Total Portfolio.

"**Investments in Joint Ventures**" refers to the REIT's proportionate share of the financial position and results of operation of its investment in joint ventures, which are accounted for using the equity method under IFRS in the consolidated financial statements, are presented below using the proportionate consolidation method at the REIT's ownership percentage of the related investment. Management views this method as relevant in demonstrating the REIT's ability to manage the underlying economics of the related investments, including the financial performance and the extent to which the underlying assets are leveraged, which is an important component of risk management.

For the purpose of the proportionate consolidation, the initial investment of both partners in the joint ventures were considered as being equity investments as opposed to a combination of equity and loans and accordingly, the related proportionate consolidation balance sheet items were eliminated as well as the associated finance income and finance costs. As the loans to the joint ventures were considered equity for proportionate consolidation purposes, any impairment recorded on the loans in accordance with IFRS 9 has been reversed for MD&A purposes. As such, any impairment recorded for IFRS purposes results in a difference in equity when reconciling IFRS and proportionate consolidation reporting.

"**Investment Properties Portfolio**" or "**IP Portfolio**" refers to the nine wholly owned properties of the REIT.

"**Net Rental Income Adjusted for IFRIC 21**" refers to Net Rental Income excluding property taxes recorded under IFRIC 21 rules.

"**Net Rental Income**" refers to the rental income plus operating cost recoveries income plus other property revenue, less property operating costs and other costs.

"**Participatory Distribution**" means a special distribution paid to Unitholders based on 50% of the cash attributable to the excess of the sale price of assets over IFRS fair market value, in addition to the regular monthly distribution to Unitholders.

"**Total Portfolio**" refers to the nine properties referred to as the IP Portfolio and the five properties of the REIT held in joint-ownership with other parties.

"**Weighted average lease term**" or "**WALT**" is a metric used to measure a property portfolio's risk of vacancy and refers to the average period in which all leases in a property or portfolio will expire. It is calculated as the sum of the percentages of rentable area multiplied by the number of years in each remaining lease term.

"**Weighted Average number of Units**" refers to the mean of periodic values in the number of issued and outstanding Units over a specific reporting period.

FFO and AFFO Calculation

The reconciliation of FFO and AFFO for the three- and six-month periods ended June 30, 2022 and 2021, based on proportionate consolidation figures including REIT's interest in joint ventures (please see section *Consolidated statement of earnings - Reconciliation to consolidated financial statements*), is as follows:

	Three months ended June 30		Six months ended June 30,	
(in thousands of CAD$)	**2022**	**2021**	**2022**	**2021**
Net income attributable to the Trust **(including share of net earnings from investments in joint ventures)**	(12,760)	9,247	(10,440)	13,411
Add/(Deduct):				
Gain on acquisition of a subsidiary	-	108	-	108
Net change in fair value of investment properties	23,546	(4,499)	20,890	(6,441)
Net change in fair value of financial derivatives	(793)	1,836	(1,580)	(1,031)
Net change in fair value of derivative on acquisition loan	-	-	-	33
Adjustment for property taxes accounted for under IFRIC 21	(1,096)	(891)	1,752	1,640
Distributions on Exchangeable securities	193	222	387	452
Net change in fair value of Exchangeable securities	(1,904)	95	(2,195)	774
Foreign exchange loss gain (loss) (2)	(87)	61	894	988
Loss on extinguishment of mortgage loans (3)	-	-	54	-
Income tax adjustment on sale of investment properties	-	2,057	-	2,057
Deferred income tax recovery (expense)	(2,536)	(4,486)	(2,241)	(4,714)
Other adjustments (1)	-	610	-	1,179
Non-controlling interest	16	(65)	58	(22)
FFO	**4,579**	**4,295**	**7,579**	**8,434**
Add/(Deduct):				
Non-cash effect of straight line rents	(322)	11	21	(111)
Cash effect of the rental guarantee	431	-	431	-
Cash effect of the lease equalization loans	-	8	-	(177)
Amortization of transaction costs on mortgage loans	60	24	72	48
Capex (4)	(84)	(11)	(138)	(122)
AFFO	**4,664**	**4,327**	**7,965**	**8,072**
FFO / Units (diluted) *(in CAD$)*	**0.14**	**0.13**	**0.23**	**0.25**
AFFO / Units (diluted) *(in CAD$)*	**0.14**	**0.13**	**0.24**	**0.24**

(1) In 2021, Other adjustments refers to administrative expenses related to the strategic review, including aborted asset acquisition costs and the SIF conversion. Due to their nature, management has decided to exclude these expenses from the FFO calculation, although REALPAC does not provide guidance on such exclusions.

(2) REALPAC guidance suggest that the foreign exchange gain or loss be included in the FFO calculation. However, due to the volatility of the Canadian dollar against the Euro, the REIT has elected to exclude from the FFO calculation, the unrealized gain or loss on the REIT's cash Euros which are domiciled in Canadian financial institutions.

(3) Loss on Bad Homburg refinancing penalties.

(4) Excluding capital expenditures on properties that have a dedicated cash reserve or financing for capital expenditures (Trio, Duisburg, Stuttgart)

Overview – GAAP and Non-GAAP

The REIT has identified specific key performance indicators to measure the progress of its long-term objectives. These are set out below:

	June 30, 2022		December 31, 2021, as restated	
Operating metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Number of properties	9	14	7	12
Gross leasable area (sq. ft.)	1,216,381	1,638,766	976,960	1,399,345
Occupancy rate - end of period [1]	77.9%	82.5%	77.2%	82.6%
Weighted average lease term	3.1 years	2.8 years	2.6 years	3.1 years
Average initial yield [2]	5.0%	5.2%	4.9%	5.0%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available liquidity [3] [4]	$13,347	$17,447	$76,627	$79,728
Fair value of investment properties	$482,359	$616,141	$427,631	$573,223
Debt-to-gross book value [3]	42.5%	49.0%	36.1%	43.3%
Debt-to-gross book value, net of cash) [3]	41.1%	47.6%	26.5%	35.7%
Weighted average term of principal repayments of debt	3.8 years	3.6 years	3.9 years	3.4 years
Weighted average interest rate [3]	1.92%	1.93%	2.08%	1.99%
Interest coverage ratio [3]	3.2 x	3.3 x	2.6 x	3.0 x

(1) Calculated on weighted areas (activity, storage and inter-company restaurant areas) being accounted for only a third of their effective areas, because of their lower rental value.
(2) Calculated on annualized Net Rental Income (based on Net Rental Income for the year-to-date period).
(3) As defined in the section "Non-GAAP Financial Measures and Other Financial Measures".
(4) See the section "Capital Management" further discussion on the composition and usefulness of this metric.

	Three months ended June 30,		Six months ended June 30,	
(thousands of CAD$ except per Unit and other data)	**2022**	**2021**	**2022**	**2021**
Financial performance metrics				
Rental revenue	6,877	6,871	12,078	14,291
Rental revenue - Total Portfolio [1]	8,897	8,967	16,149	18,497
Net rental income	6,718	6,918	8,591	11,356
Net rental income - Total Portfolio [1]	8,691	8,976	12,198	15,073
Net income, attributable to the Trust	(12,761)	9,247	(10,667)	13,411
Funds from Operations (FFO) [1] [2]	4,579	4,295	7,579	8,434
Adjusted Funds from Operations (AFFO) [1] [2]	4,664	4,327	7,965	8,072
FFO per Unit (diluted) [1] [2]	0.14	0.13	0.23	0.25
AFFO per Unit (diluted) [1] [2]	0.14	0.13	0.24	0.24
Distributions				
Declared distributions on Units and Exchangeable securities	6,932	16,851	13,847	23,764
Declared distributions on Units and Exchangeable sec., excluding Participatory Distribution	6,932	6,904	13,847	13,817
Declared distribution per Unit. including Participatory Distribution	0.21	0.51	0.41	0.72
Declared distribution per Unit	0.21	0.21	0.41	0.41
FFO payout ratio [1] [2]	151.4%	160.7%	182.7%	163.8%
AFFO payout ratio [1] [2]	148.6%	159.5%	173.8%	171.3%

(1) See the section "Non-GAAP Financial Measures" for more information on the REIT's non-GAAP financial measures and reconciliations thereof.
(2) The reconciliation of FFO and AFFO to Net Income can be found under the section Non-GAAP Reconciliation (FFO and AFFO).

Restatements of 2021 comparative financial statements

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 these companies, amounting to CAD$24,437, 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. The change in the ratio results in a breach of loan covenants for both mortgage loans, that could allow the lenders to call the principal outstanding on demand. 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.

Nevertheless, the REIT has been in regular communication throughout 2021 and during the first half of 2022 with the lenders for both mortgage loans to inform them that the strategy for these assets should result in a short-term reimbursement. Through correspondence with the said lenders, there has been no evidence that would indicate that either of the lenders intends to call the principal of the loans. The REIT intends to formally obtain from the financing institutions the waiver of these covenants or a modification of the financing terms before the year ended December 31, 2022. The REIT has been able to meet all other obligations, covenants, and payments required as per the mortgage loan contracts.

Consolidated Financial Information

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

Net Rental Income

For the portfolio that includes only assets owned entirely by the REIT ("IP Portfolio"), Net Rental Income ("NOI") for the three months ended June 30, 2022 ("Q2 2022"), was CAD$6,718 (EUR€4,834) compared to CAD$6,918 (EUR€4,602) for the three months ended June 30, 2021 ("Q2 2021"). The slight operational EUR€232 year-on-year increase (CAD$200 decrease) was not sufficient to offset the negative impact of the foreign exchange rate of CAD$522.

The positive impacts came from additional NOI contribution of the new acquisitions, Gaia and Delgado for CAD$1,574 (EUR€1,133), completed at the end of March 2022, as well as from the lease renewals in the Bad Homburg and Metropolitain properties for CAD$374 (EUR€269).

The sale of Jeuneurs at the end of 2021 and the lease terminations in the Baldi, Sabliere and Courbevoie properties in 2021, negatively impacted the Q2 2022 NOI respectively for CAD$853 (EUR€614) and CAD$855 (EUR€615). The three properties are positioned in the asset recycling plan.

For the six months ended June 30, 2021, net rental income was CAD$8,591, compared to CAD$11,356 for the same period last year. The decrease is mainly attributable to the same factors described above, with a stronger foreign exchange rate impact of CAD$857.

In accordance with IFRIC 21, the annual property taxes for the REIT's properties located in France are expensed in full in the first quarter of the fiscal year. Realty tax expenses for the year are approximatively CAD$3,209. These taxes are paid in the fourth quarter. This results in a reduction to Net Rental Income in the first quarter of each year with relatively higher Net Rental Income in the subsequent three quarters. The impact of IFRIC 21 on Net Rental Income for the three and six months ended June 30, 2022, and 2021 is set out below.

	Three months ended June 30,			Six months ended June 30,		
In Canadian dollars (in thousands)	**2022**	**2021**	**Variance**	**2021**	**2020**	**Variance**
Net rental income	6,718	6,918	(200)	8,591	11,356	(2,765)
IFRIC 21 impact	(1,001)	(787)	(214)	1,572	1,449	123
Adjusted net rental income - IFRIC 21 (1)	5,717	6,131	(414)	10,163	12,805	(2,642)

	Three months ended June 30,			Six months ended June 30,		
In Euros (in thousands)	**2022**	**2021**	**Variance**	**2021**	**2020**	**Variance**
Net rental income	4,834	4,602	232	6,182	7,554	(1,373)
IFRIC 21 impact	(720)	(524)	(197)	1,131	964	167
Adjusted net rental income - IFRIC 21 (1)	4,114	4,078	34	7,313	8,518	(1,205)

(1) Represents a non-GAAP financial measure that has no standardized meaning with IFRS and is not comparable to other companies. See the section "Non-GAAP Measures and Other Measures".

The Net Rental Income including the REIT's share in joint ventures is set out below

	Three months ended June 30,			Six months ended June 30,		
In Canadian dollars (in thousands)	**2022**	**2021**	**Variance**	**2021**	**2020**	**Variance**
Net rental income	6,718	6,918	(200)	8,591	11,356	(2,765)
Net rental income - proportionate share of JVs	1,973	2,058	(85)	3,607	3,717	(110)
IFRIC 21 impact	(1,096)	(891)	(205)	1,752	1,640	111
Adjusted net rental income - IFRIC 21 - including proportionate share of JVs (1)	7,595	8,085	(490)	13,950	16,713	(2,764)

General and Administrative Expenses

General and administration expenses ("G&A expenses") are comprised of Inovalis S.A.'s asset management fees and other G&A expenses such as trustee fees, directors' and officers' liability insurance, professional fees (including accounting fees), legal fees, filing fees, and unitholder related expenses.

The following table outlines the major categories of G&A expenses:

	For the three months period ended June 30,			For the six months period ended June 30,		
	2022	2021	Variance	2022	2021	Variance
Asset management fees – Inovalis SA	(619)	(638)	19	(1,115)	(1,377)	262
Less: amount reinvoiced to joint ventures	271	285	(14)	553	589	(36)
	(348)	**(353)**	**5**	**(562)**	**(788)**	**226**
Professional fees for accounting. tax and audit	(423)	(842)	419	(1,131)	(1,823)	692
Legal expenses	(107)	(268)	161	(426)	(878)	452
Trustee fees	(63)	(204)	141	(126)	(431)	305
Travel expenses	(68)	-	(68)	(212)	(3)	(209)
Bank expenses	(65)	(44)	(21)	(156)	(66)	(90)
Other general and administrative expenses	(171)	(394)	223	(500)	(577)	77
Total G&A expenses	**(1,245)**	**(2,105)**	**860**	**(3,113)**	**(4,566)**	**1,453**

G&A expenses for the Q2 2022 amounted to CAD$1,245 compared to CAD$2,105 in Q2 2021. The decrease is attributable to CAD$610 non-recurring fees incurred in Q2 2021 in relation to the Strategic Review and to CAD$250, corresponding mostly to legal fees and trustee compensation.

For the six months ended June 30, 2022, the G&A expenses decreased by CAD$1,453, the 2021 period being also affected by the CAD$1,179 non-recurring expenses related to the SIF conversion and the Strategic Review process.

Share of Net Income (Loss) From Joint Ventures

The performance of the investments in joint ventures includes the share of net income from joint ventures, the interest on loans granted to joint ventures (presented in the finance income line) and the potential expected credit losses on joint venture loans (presented in the finance cost line).

The share of net loss from joint ventures was CAD$(2,671) for the three-month period ended June 30, 2022, compared to CAD$(1,495) for the same period in 2021. The loss was mainly attributable to the negative net change of fair value of the buildings held in joint venture following the external valuation reports obtained in Q2 2022. Appraisers considered additional vacancy costs (impacted by the growing inflation in Europe) and also the slightly decompressed cap rate (approximately +25bp).

For the six-month period ended June 30, 2022, the share of net loss from joint ventures was CAD$2,436 compared to CAD$1,066 for the same period last year. The loss was mainly attributable to the same factors described above.

Net Change in Fair Value of IP Portfolio

The net change in fair value in IP Portfolio for the three- and six-month periods ended June 30, 2022 were CAD$(20,073) and CAD$(17,942) respectively (compared to CAD$6,814 and CAD$8,524). The decreases are mainly related to the adjustments by external appraisers of the vacancy costs, added to the decompression of cap rate on the overall portfolio (except Metropolitain, 100% leased and located in downtown Paris). The valuation of the Arcueil property decreased by CAD$16,815 (EUR€12,100) as the Orange lease matures in March 2023 and no firm extension has been agreed upon to date.

Refer to the *"IP Portfolio"* section in this document for further details on the valuation methodology.

Net Change in Fair Value of Exchangeable Securities

Exchangeable Securities are recorded at fair value based on the market price of the REIT's units. They are reflected as a liability on the REIT's consolidated balance sheets, and therefore a decrease of the REIT's unit price reduces the value of the liability. The closing price of a REIT unit on the Toronto Stock Exchange was CAD$7.27 on June 30, 2022, compared to $9.60 at close of

December 31, 2021, resulting in a gain of CAD$2,195 in the net change in fair value of Exchangeable Securities throughout the first half of 2022.

Finance Income

In Q2 2022, finance income of CAD$1,270 (compared to CAD$884in Q2 2021) consisted essentially of interest on loans granted to joint ventures. The variance of CAD$386 mainly corresponds to gain on foreign hedging contract (CAD$342,), partially offset by lower interest on joint-venture loans (CAD$45) following the progressive repayments of shareholder loans on the joint venture portfolio.

For the six months period ended June 30, 2022, finance income was CAD$2,438 compared to CAD$1,686 for the same period last year. The CAD$762 variance is mainly attributable to the income on the foreign exchange hedge (CAD$808).

Finance Costs

The finance costs in Q2 2022 were CAD$1,435 (compared to CAD$1,634 in Q2 2021), which included CAD$1,144 related to interest on mortgage loans and lease liabilities and CAD$231 related to derivative interest and other financial costs.

For the six months period ended June 30, 2021, finance costs were CAD$2,609 compared to CAD$3,260, mostly due to the partial repayment of the Baldi collateral loan as well as the termination of Sablière and Arcueil derivatives.

Distributions on Exchangeable Securities

Distributions to the holders of exchangeable securities are calculated in a manner that provides a return that is economically equivalent to the distributions received by the unitholders. In Q2 2022, the distributions on exchangeable securities were CAD$193, compared CAD$222 for the three months period ended June 30, 2021.

Selected Three-Year Information

The below table is the summary of key operating metrics for the IP Portfolio.

	For the three months period ended June 30,				
(in thousands of CAD$)	**2022**	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
Rental revenue	6,877	6,871	7,119	6	(248)
Net change in fair value of investment properties	(20,073)	6,814	(2,288)	(26,887)	9,102
Finance income	1,270	884	1,911	386	(1,027)
Net income	(12,745)	9,181	(9,390)	(21,926)	18,571
Net income attributable to the Trust	(12,761)	9,247	(9,385)	(22,008)	18,632

Despite the contribution of two new assets, compared to Q1 2021, the Q2 2022 rental revenue has been impacted by a lower occupancy rate on the IP Portfolio, notably on the Sablière, Baldi and Courbevoie properties. The portfolio valuation has been decreased by CAD$20,073, due to higher vacancy costs factored by external appraisers, and to the significant pending leasing negotiations for the main tenant at the Arcueil property.

Consolidated balance sheet

Assets	As at June 30, 2022	As at Dec. 31, 2021, as restated	Variance
Non-current assets			
Investment properties	482,359	427,631	54,728
Investments in joint ventures	53,582	64,327	(10,745)
Derivative financial instruments	684	-	684
Other financial assets	307	-	307
Restricted cash	4,584	4,964	(380)
Total non-current assets	**541,516**	**496,922**	**44,594**
Current assets			
Trade receivables and other financial assets	10,958	9,368	1,590
Derivative financial instruments	1,294	845	449
Other current assets	4,522	3,431	1,091
Restricted cash	117	52	65
Cash	13,347	76,627	(63,280)
Total current assets	**30,238**	**90,323**	**(60,085)**
Total assets	**571,754**	**587,245**	**(15,491)**

Liabilities and Unitholders' equity	As at June 30, 2022	As at Dec. 31, 2021, as restated	Variance
Liabilities			
Non-current liabilities			
Interest-bearing loan	266	334	(68)
Mortgage loans	89,577	73,099	16,478
Lease liabilities	97,995	106,351	(8,356)
Tenant deposits	2,141	1,172	969
Derivative financial instruments	-	366	(366)
Deferred tax liabilities	2,778	4,941	(2,163)
Total non-current liabilities	**192,757**	**186,263**	**6,494**
Current liabilities			
Interest-bearing loan	25	24	1
Mortgage loans	46,139	19,609	26,530
Lease liabilities	5,972	7,700	(1,728)
Tenant deposits	182	277	(95)
Exchangeable securities	6,820	9,015	(2,195)
Derivative financial instruments	-	853	(853)
Trade and other payables	14,258	11,248	3,010
Income tax payable	2,037	2,167	(130)
Deferred income	623	4,004	(3,381)
Total current liabilities	**76,056**	**54,897**	**21,159**
Total liabilities	**268,813**	**241,160**	**27,653**
Equity			
Trust units	289,180	288,752	428
Retained earnings	22,853	46,979	(24,126)
Accumulated other comprehensive income	(10,385)	9,055	(19,440)
Total Equity	**301,648**	**344,786**	**(43,138)**
Non-controlling interest	1,293	1,299	(6)
Total liabilities and equity	**571,754**	**587,245**	**(15,491)**

Selected Consolidated Balance Sheet Information

	For the period ended				
(in thousands of CAD$)	June 30. 2022	Dec. 31, 2021, as restated	Dec. 31, 2020	2022 vs. 2021	2021 vs. 2020
Fair value of investment properties - IP Portfolio	482,359	427,631	541,218	54,728	(113,587)
Fair value of investment properties - Total Portfolio	616,141	573,223	701,458	42,918	(128,235)
Investment in joint ventures - carrying value	53,582	64,327	75,987	(10,745)	(11,660)
Total assets	571,754	587,245	712,089	(15,491)	(124,844)
Total debt [1]	239,974	207,117	288,657	32,857	(81,540)
Total non-current liabilities	192,757	161,826	292,817	30,931	(130,991)
Unitholders' equity	301,648	344,786	375,238	(43,138)	(30,452)
Number of outstanding Units	32,587,809	32,587,809	32,400,585	-	187,224

(1) Includes the current and non-current portion of interest-bearing loan, mortgage loans, lease liabilities and lease equalization loans.

IP Portfolio

The fair value of the REIT's IP Portfolio as at June 30, 2022 was CAD$482,359 (EUR€357,382) compared to CAD$427,631 (EUR€297,379) as at December 31, 2021. The increase of CAD$54,728 (EUR€40,548) is mainly attributable to the Gaia (CAD$56,678 ; EUR€41,993) and Delgado (CAD$43,154 ;EUR€31,973) acquisitions respectively on March 28 and March 31, 2022, partly offset by the foreign exchange adjustment of CAD$27,897 13and the negative change in fair value of investment properties of CAD$17,942 (EUR€13,293), which are due to updated assumptions in the most recent external appraisals.

Management uses the Direct Capitalization Method ("DCM") to determine the fair value of REIT's properties in France, Germany and Spain. The values are supported by external appraisals of the total portfolio as at June 30, 2022 (except for the newly acquired and appraised Delgado building in Spain), performed in conformity with the requirements of the *Royal Institution of Chartered Surveyors Standards*, and for the French properties, in conformity with the *Charte de l'expertise immobilière*, as well as *European Valuation Standards of TEGoVA (the European Group of Valuers' Association)* and IFRS 13 *Fair Value Measurement*.

Investments in Joint Ventures

The investment in joint ventures encompasses the interest of the REIT (through five subsidiaries) in:

- the Duisburg property (50%), through a joint venture agreement maturing in December 2022,
- the Stuttgart property (50%), through a joint venture agreement maturing in May 2023,
- the Delizy property (50%), through a joint venture agreement maturing in 2029, correlated with the lease liability contract with the senior bank,
- the Neu-Isenburg property (50%), through a joint venture agreement maturing in December 2023, and
- the Kösching property (50%). Through a joint venture agreement maturing in December 2023.

The REIT's investment in joint ventures was CAD$53,582 as at June 30, 2022, compared to CAD$64,327 as at December 31, 2021. The CAD$10,745 decrease was mainly due to the CAD$4,656 repayment on joint venture loans (notably on Duisburg loan following the refinancing completed in May), the REIT's share of loss from joint ventures of CAD$2,119, and a negative foreign exchange difference of CAD$3,743.

Trade Receivables and Other Financial Assets

Trade receivables and other financial assets as at June 30, 2022 amounted to CAD$10,958, compared to the CAD$9,368 at December 31, 2021. The increase is mainly due to the CAD$731 cash deposit for the strategic lease termination of the remaining tenants in relation to the Courbevoie sale and the CAD$404 additional cash reserve related to the financing covenant on the Bad Homburg property.

Trade and Other Payables

Trade and other payables as at June 30, 2022 amounted to CAD$14,258 compared to CAD$11,248 as at December 31, 2021. The variance is mostly attributable to the CAD$1,604 property taxes accounted for the whole year, pursuant to IFRIC 21.

Income Tax Payable

The income tax payable as at June 30, 2022, amounted to CAD$2,037, stable compared to December 31, 2021, which mostly represents management's best estimate for the amount payable following a CAD$1,854 tax reassessment that is being disputed with the French tax authorities.

Deferred Income

The deferred income amounted to CAD$623 as at June 30, 2022 compared to CAD$4,004 in December 31, 2021. The variance is mostly attributable to the early payment of the quarterly Q1 2022 rent in December 2021 by the main tenant in the Arcueil property of CAD$3,168. The Q3 2022 rent for the same tenant was paid early in July 2022.

Capital Management

Sources of Capital

The REIT's primary sources of capital are cash generated from operations, disposition of assets, credit facilities, refinancing mortgages, sharing the ownership of actual assets owned entirely, and equity issuances. The primary uses of capital include property acquisitions, payment of distributions, costs for attracting and retaining tenants, recurring property maintenance, major property improvements, and debt interest payments. The REIT expects to meet ongoing obligations through current cash, cash flows from operations, debt refinancing and, as growth requires and when appropriate, new equity or debt issues. Assets could be sold to access capital, but this action would be considered in the overall strategy of diversification of the portfolio.

Capital Management Metrics

To measure REIT's debt performance, management uses the non-GAAP key indicators below:

	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	June 30. 2022	**December 31. 2021, as restated**	**June 30. 2022**	**December 31. 2021, as restated**
Capital management metrics				
Debt-to-gross book value	42.5%	36.1%	49.0%	43.3%
Debt-to-gross book value, net of cash	41.1%	26.5%	47.6%	35.7%
Debt due in the next 12 months (1)	52,111	51,746	52,859	52,461
Weighted average term to maturity	3.8 years	3.9 years	3.6 years	3.4 years
Weighted average interest rate (1)	1.92%	2.08%	1.93%	1.99%
Interest coverage ratio (2)	3.2	2.6	3.3	3.0

(1) Includes lease liabilities and mortgage financings.
(2) As defined in the section "Non-GAAP Financial Measures and Other Financial Measures".

The Bad Homburg mortgage loan representing CAD$15,037 has a maturity date in March 2023, following its one-year extension in March 2022, and has been classified as a current liability in the balance sheet as at June 30, 2022.

Financing covenants

As at June 30, 2022, further to ongoing redevelopment scenarios or arbitrages anticipated on the Baldi, Courbevoie and Sablière properties, the Debt Service Coverage Ratio ("DSCR") covenant criteria have not been met. Thus, the three loans have been reclassified as current liabilities as of balance sheet date for CAD$26,924.

According to the mortgage loan agreements, the DSCR ratios calculated as at December 31, 2021 for the Sabliere and Courbevoie properties were due to be communicated to the senior lender respectively by May 31, 2022 and December 31, 2022. On the Baldi property, the DSCR ratio calculated as at June 30, 2022 were due to be communicated to the financing bank by July 31, 2022.

The REIT has been in communication with the lenders for both mortgage loans to refinance the loans and remediate the covenants that have been breached. Through correspondence with the lenders, there has been no evidence that would indicate that either of the lenders intend to call the principal on the loans, despite the breach of covenant. The financing bank on Courbevoie accepted the terms of the promise to sell signed in December 2020 for a sale by December 2022 that would allow the full repayment of the mortgage loan. The REIT has been able to meet all other obligations, covenants, and payments required as per the mortgage loan contracts

Management already started the process to obtain from the financing institutions the formal waiver of these covenants for a period of at least 12 months or a modification of the financing terms before the end of the year 2022.

Debt-to-Gross Book Value

The debt-to-gross book value ratio is a non-GAAP measure that considers the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on a IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) lease equalization loans, (iv) other long-term liabilities, and (v) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and at the joint venture level for the contribution from the REIT and its partners. Gross book value is defined as the total consolidated assets for the IP Portfolio and Total Portfolio.

Debt-to-gross book value	**Consolidated basis - IP Portfolio**		**Proportionate share basis - Total Portfolio**	
	June 30. 2022	**December 31. 2021**	**June 30. 2022**	**December 31. 2021**
Lease liabilities	103,967	114,051	113,506	124,458
Mortgage loans	135,716	92,708	199,145	154,192
Interest-bearing loans	266	334	266	334
Deferred tax liabilities	2,778	4,941	8,845	11,773
Total debt outstanding	**242,727**	**212,034**	**321,762**	**290,757**
Less : Cash	(13,347)	(76,627)	(17,447)	(79,728)
Debt net of cash	**229,380**	**135,407**	**304,315**	**211,029**
Gross book value	571,753	587,245	656,803	671,518
Gross book value. net of cash	558,406	510,618	639,356	591,790
Debt-to-gross book value	**42.5%**	**36.1%**	**49.0%**	**43.3%**
Debt-to-gross book value. net of cash	**41.1%**	**26.5%**	**47.6%**	**35.7%**

The debt-to-gross book value ratio is 42.5% for the IP Portfolio (41.1% net of cash) and is within the REITs mandated threshold of 60% of the gross book value of assets. The increase compared to December 31, 2021, ratio is attributable the two new properties that have slightly higher indebtedness ratios than the previous IP Portfolio average at 50% and 52% respectively. For the Total Portfolio, the debt-to-gross book value ratio is 49.0% (47.6% net of cash).

Interest Coverage Ratio

Interest coverage ratio	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	June 30. 2022	December 31. 2021	June 30. 2022	December 31. 2021
Net rental income	8,591	24,191	12,198	31,866
IFRIC 21 adjustment	1,572	-	1,752	-
Net rental income adjusted	**10,163**	**24,191**	**13,950**	**31,866**
General and Administrative expenses	(3,113)	(8,392)	(3,818)	(10,006)
Interest income (2)	961	348	961	520
Total income	**8,011**	**16,147**	**11,092**	**22,380**
Interest expense (1)	(2,524)	(6,312)	(3,386)	(7,530)
Interest coverage ratio	**3.2**	**2.6**	**3.3**	**3.0**

(1) Includes interest on mortgage loans, leases liabilities, swap interest and amortization of financing costs.
(2) Excluding interest income on joint venture loans.

The interest coverage ratio increased during the first half of 2022, due to higher finance income on foreign exchange hedging contracts (CAD$961) and lower G&A expenses.

Weighted-Average Interest Rate

The weighted average interest rate across the IP Portfolio debt is 1.92% and 1.93% for the Total Portfolio. The two new acquisitions in March 2022 were financed at 1.91% and 1.99% fixed interest rates respectively, while the Duisburg five-year refinancing was agreed at 2.47% fixed interest in May 2022. Management is considering other refinancing opportunities to take advantage of historically low interest rates in Europe and anticipates being able to finance assets on a less costly basis than that offered by traditional financing in Canada.

Debt Profile

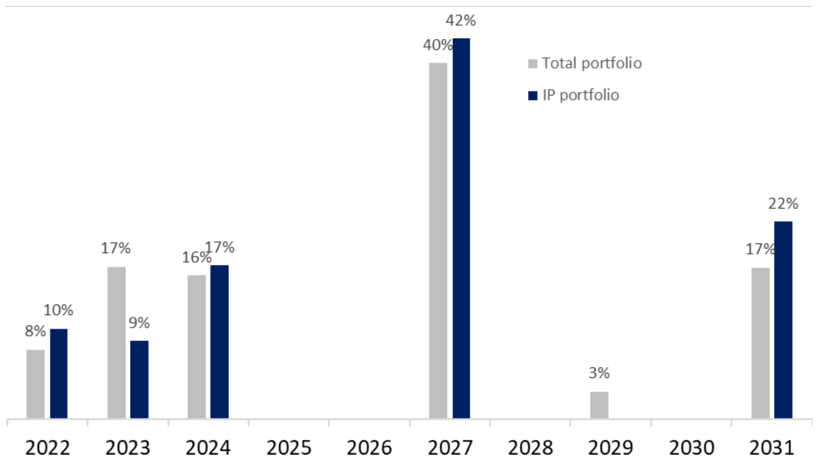
	Debt profile as at June 30, 2022			
	IP Portfolio		Total Portfolio	
	Carrying value	%	Carrying value	%
Lease liabilities	**103,967**	43%	**113,506**	36%
Mortgage loans	**135,716**		**199,145**	
of which : Amortized mortgage loan	*91,883*	*39%*	*100,959*	*33%*
Bullet mortgage loan	*43,833*	*18%*	*98,186*	*31%*
Total	**239,683**	**100%**	**312,651**	**100%**

As at June 30, 2022, the debt on the IP Portfolio is composed of 57% mortgage loans and 43% lease liabilities, under contracts expiring from 2023 to 2031.

The REIT repays principal amounts quarterly on both mortgage and lease liabilities. This represents 82% of the REIT's IP Portfolio financing, excluding bullet mortgage loans (69% for the Total Portfolio).

Leasehold and Mortgage Financing Maturity Profile

(% of amount outstanding as at June 30, 2022)



As at June 30, 2022, due to the lenders' right to repayment upon breach of the covenant on the Baldi, Courbevoie and Sabliere properties, these three loans have been classified as current liabilities for a total amount of CAD$33,415, with maturities in December 2022 (Sabliere and Courbevoie) and June 2023 (Baldi).

The Bad Homburg mortgage loan, on which a one-year extension was obtained in March 2022 with a 1.45% rate (vs.1.43% in the previous agreement), is maturing in March 2023, allowing for improved financing term at that date once the vacant areas are re-leased.

For the Total Portfolio, the in-place financing on the Duisburg property, maturing in June 2023, has been successfully renegotiated by management and led to a new bullet mortgage over five years at 2.47% fixed total interest.

The 2027 maturity relates mostly to the lease liability contract on Arcueil property with the bank. Management is negotiating a lease extension with the sole tenant in place and, upon completion, will arrange a refinancing to leverage the corresponding gain in the property value.

Management is in regular communication with the senior lenders, including those of the Courbevoie, Baldi and Sablière properties, to update them on leasing and redevelopment strategies and renegotiate financing terms for the in-place loans (particularly amortization schedules) to avoid any breach in covenant policies.

Contractual Obligations

	Contractual Cash Flows (1)	2022	2023	2024	2025	2026	Thereafter
Interest-bearing loan	291	25			266		
Mortgages – principal payments	12,818	753	1,078	762	657	657	8,911
Mortgages -maturities	122,898	886	43,333	40,005			38,674
Lease liabilities	103,967	5,897	5,530	5,888	5,944	6,001	74,708
Exchangeable securities	6,820	6,820					
Accounts payable	14,258	14,258					
Income tax payable	2,037	2,037					
Total	**263,089**	**30,676**	**49,942**	**46,655**	**6,866**	**6,658**	**122,292**

(1) Contractual cash flows do not include interest and do not account for any extension options.

Equity

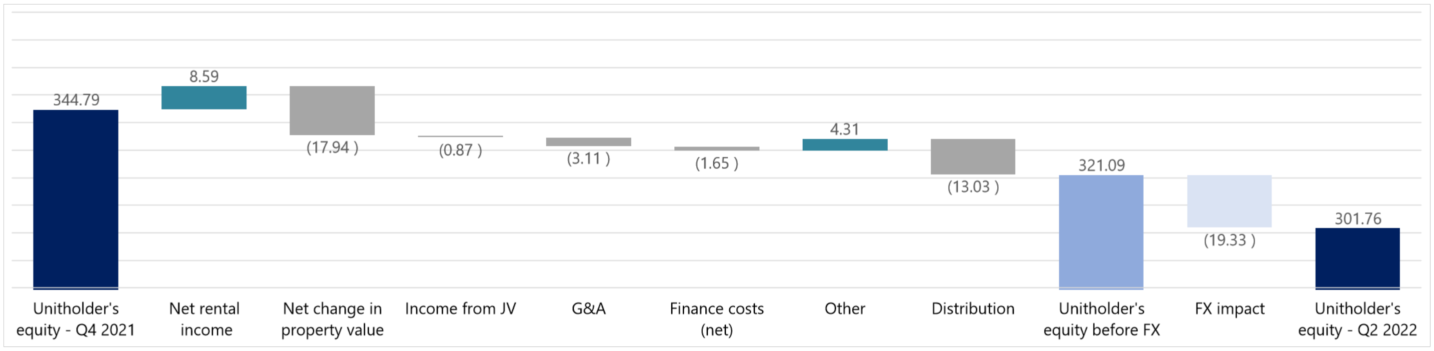
Management's discussion about equity is inclusive of exchangeable securities. In the unaudited condensed interim consolidated financial statements, the exchangeable securities are classified as current liabilities under IFRS because of the conversion feature that can be exercised by the holder of those securities at any time.

As at June 30, 2022, the REIT has 32,646,961 Units issued and outstanding, plus 938,036 Exchangeable Securities.

	Three months period ended June 30, 2022	**Six months period ended June 30, 2022**
Units		
Number at beginning of period	32 587 809	32 587 809
Increase in number during the period	59 152	59 152
Number at end of period	32 646 961	32 646 961
Weighted average number during the period	32 622 326	32 607 603
Exchangeable securities		
Number at beginning of period	938 036	938 036
Decrease in number during the period	-	-
Number at end of period	938 036	938 036
Weighted average number during the period	938 036	938 036
Units and Exchangeable securities		
Number at beginning of period	33 525 845	33 525 845
Decrease in number during the period	59 152	59 152
Number at end of period	33 584 997	33 584 997
Weighted average number during the period	33 560 362	33 545 639

Unitholders' equity

The Unitholders' equity breakdown throughout the first semester of 2022 is presented below (in CAD$ million):



Notes to the above chart:

- The income from joint ventures includes both the share of net loss for CAD$2,463, and the finance income from interests on joint venture loans for CAD$1,477.
- FX impact: The closing foreign exchange rate was 1.3497 as at June 30, 2022, compared to 1.4380 as at December 31, 2021, negatively impacting the REIT's consolidated balance sheet and unitholders' equity by 6.1%.
- Other impacts are mainly comprised of income tax recovery for CAD$1,870 and net change in fair value of both financial derivatives and Exchangeable securities for CAD$1,587 and CAD$2,195 respectively.

Available Liquidity

The REIT's cash available was CAD$13,347 as at June 30, 2022 (compared to CAD$76,627 as at December 31, 2021) following the acquisitions of Gaia and Delgado at the end of March 2022.

Despite the breach in covenants on three assets (see *Capital Management* paragraph above) and the classification as current liabilities, Management has determined that the REIT has the financial resources to sustain its operations for 12 months following the date of the balance sheet.

Cash Flows

The below table is showing the cash utilization throughout first semester of 2022 and 2021 for the IP Portfolio, not including the REIT's share of cash in the joint venture-owned properties.

	Six months period ended June 30,		
	2022	**2021**	**Variance**
Cash at the beginning of the period	**76,627**	**80,376**	**(3,749)**
Cash provided by (used in):			
Operating activities	6,600	(428)	7,028
Investing activities	(99,683)	1,754	(101,437)
Financing activities	33,477	(19,135)	52,612
Net change during the period	**(59,606)**	**(17,809)**	**(41,797)**
Impacts of FX adjustment on cash	(3,674)	(4,341)	667
Cash at period-end	**13,347**	**58,226**	**(44,879)**

The cash flow provided by the operating activities decreased over the year 2021, dragged by the partially unoccupied Sablière, Baldi and Courbevoie properties, and due to the sale of Jeuneurs at the end of 2021.

Including the negative impact of FX on cash at June 30, 2022, the reduction in available cash compared to the first six months of 2021 is CAD$(44,879).

Analysis of Distributed Cash

The REIT is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to unitholders prior to the end of the taxation year. Pursuant to the REIT's Amended and Restated Declaration of Trust, dated April 9, 2020, the trustees shall make payable to unitholders a distribution of sufficient net realized capital gains and income that the REIT shall not be liable to pay taxes under Part 1 of the Tax Act.

Pursuant to the requirement of National Policy 41-201, Income Trusts and Other Indirect Offerings, the table below outlines the differences between cash flow from operating activities and cash distributions as well as the differences between income (loss) before income taxes and cash distributions, in accordance with the policy guidelines.

Distributions Funding Sources

		For the three months ended June 30		For the six months ended June 30	
	Note	**2022**	**2021**	**2022**	**2021**
Net cash flows related to operating activities	A	6,311	(2,947)	6,600	(428)
Income before income taxes	B	(14,850)	7,043	(12,479)	11,374
Declared distribution on Units	C	6,738	16,629	13,459	23,312
Shortfall of cash flows from operating activities over cash distributions paid	A-C	(427)	(19,576)	(6,859)	(23,740)
Shortfall of profit over distributions	B-C	(21,588)	(9,586)	(25,938)	(11,938)

In the first half of 2022, the shortfall of income for distribution was funded by excess cash from the sale of the Jeuneurs property at the end of 2021.

As quantified in the FFO and AFFO calculations, the CAD$6,738 required to make the distributions on Units, for the three months ended June 30, 2022 was above the FFO (CAD$4,579) for the quarter.

		Note	**Six months ended June 30, 2022**	**Year 2021**	**Year 2020**
Weighted average number of units (diluted)		*(1)*	33,525,845	33,516,889	33,957,066
Theoretical distribution per unit (in CAD$)		*(2)*	0.413	0.825	0.825
Theoretical distribution (in '000 CAD$)	(1) x (2)	*(3)*	13,829	27,651	28,017
Actual FFO per units (in CAD$)		*(4)*	0.23	0.47	0.68
Distribution funded by FFO (in '000 CAD)	**(1) x (4)**	***(5)***	**7,579**	**15,816**	**23,049**
Shortfall over distribution	**(3) – (5)**		**(6,250)**	**(11,835)**	**(4,968)**
Participatory distribution paid in July				(9,947)	
Excess cash generated by sale of Vanves (2019) / profit on Rueil transaction (2020) and sale of Jeuneurs (2021)				30,267	21,987
Distribution funded by excess cash (in '000 CAD)			**6,250**	**21,782**	**4,969**
Cumulative Vanves, Rueil and Jeuneurs excess cash after distribution			**19,254**	**25,504**	**17,018**

For the first semester of 2022, the shortfall of CAD$6,250 over the semestrial FFO, as well as the shortfalls of CAD$11,835 and CAD$4,968 for the years 2021 and 2020 respectively, were partly funded out of the excess cash corresponding to the price portion in excess of the fair market value on Vanves and Jeuneurs sales in December 2019 and November 2021, respectively, and by the profit-sharing component on the Rueil acquisition loan in 2020.

Unit-Based Compensation Plan

The REIT, through its Deferred Share Unit ("DSU") Plan, grants DSUs to its trustees and senior officers as non-cash compensation. These DSUs 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 recognized 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 of June 30, 2022, 21,947 DSUs are outstanding and 178,053 DSUs are available for grant under the DSU Plan. No DSUs were 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 CAD$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 CAD$119(CAD$110 as at December 31, 2021) and was included in Trade and Other Payables

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.

Financial Instruments

The REIT has the following financial assets and liabilities as at June 30, 2022

	Classification
Financial assets	
Loans to joint ventures	Amortized cost
Derivative financial instruments	FVTPL
Trade receivables and other financial assets	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities	

Mortgage loan	Amortized cost
Lease equalization loans	Amortized cost
Tenant deposits	Amortized cost
Exchangeable Securities	FVTPL
Derivative financial instruments	FVTPL
Trade and other payables	Amortized cost

The REIT uses the following hierarchy for the fair value determination of financial instruments:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 unobservable inputs for the asset or liability.

There were no transfers between levels of the fair value hierarchy during the three months period ended June 30, 2022.

Due to their short-term nature, the carrying value of the following financial instruments measured at amortized cost approximates their fair value at the balance sheet date:

- Trade receivables and other financial assets
- Cash and restricted cash
- Trade and other payables

	June 30, 2022		December 31, 2021, as restated	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Loans to joint ventures	27,255	27,255	34,083	34,083
Financial liabilities				
Mortgage loan	137,809	135,716	94,834	92,708
Lease equalization loans	-	-	-	-
Tenant deposits	2,323	2,323	1,449	1,449

The following methods and assumptions were used to estimate the fair values of financial instruments:

- The fair values of mortgage loans, lease equalization loans and tenant deposits, are estimated using the nominal amounts expected to be repaid at maturity, and a discount rate based on prevailing market interest rates, adjusted by an internally determined credit spread.
- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's Units, on the basis that they are exchangeable on a one-to-one basis.

The REIT is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. These risks include interest rate risk, currency risk, credit risk and liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans. The interest rate risk is mitigated by the REIT's strategy of using derivative financial instruments on mortgage loans and on the lease liabilities. As at June 30, 2022, after taking into consideration the effect of the interest rate swap (22%) and the interest rate cap (6%), as well as fixed interest rates (45%), 73% of the REIT's long-term debt obligation has no exposure to interest rate risk (2021 – 73%).

Currency Risk

The REIT operates in France and Germany, and the functional currency for these operations is the Euro. The REIT's distributions are paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders could be adversely impacted by currency variations. To mitigate the risk of foreign exchange fluctuations on the distributions to our unitholders, management has established an active foreign exchange hedging program.

To take advantage of improved exchange rates, a new two-year hedging program was put in place in Q3 2021 with Banque Palatine, which will take over the existing contract starting October 2022. As such, the exchange rates relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts, until October 2024.

Financial institution	Contracts maturity	Hedge Value ('000 EUR)	Weighted average hedging rate
CADIFF	Q3 2022	3,526	1.531
	Q4 2022	1,170	1.539
BANQUE PALATINE	Q2 2023	4,346	1.518
	Q3 2023	4,332	1.523
	Q4 2023	4,319	1.528
	Q1 2024	4,306	1.533
	Q2 2024	4,293	1.537
	Q3 2024	4,283	1.541
		30,575	

The hedging program in place with Cadiff will secure the REIT to sell EUR at an average rate of 1.5333 and receive CAD$1,800, on a monthly basis, until October 2022.

The new hedging contracts with Banque Palatine will secure, starting November 2022, a CAD$2,200 monthly conversion at an average rate of 1.5263 for a two-year period, ending October 2024.

As at June 30, 2022 and December 31, 2021, a 10% change in the value of the Euro relative to the Canadian dollar would have the following impact on financial results:

June 30, 2022	% change	Net income	OCI	Total
Impact in the event of an increase in the value of the Euro/CAD$	10%	106	(2,381)	(2,275)
Impact in the event of a decrease in the value of the Euro/CAD$	(10%)	(106)	23,871	23,765
December 31, 2021				
Impact in the event of an increase in the value of the Euro/CAD$	10%	66	(13,630)	(13,564)
Impact in the event of a decrease in the value of the Euro/CAD$	(10%)	(66)	13,630	13,564

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including the acquisition loans, trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on June 30, 2022.

Loan to joint ventures: Credit risk relating to loan to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. These financial instruments are considered to have low credit risk. The REIT monitors the debt service ability of the properties underlying the loans to assess for changes in credit risk.

Accounts receivable: Credit risk is managed by requiring tenants to pay rentals in advance. Also, in certain cases, deposits are obtained from tenants. Accounts receivables are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Management regularly reviews accounts receivable and monitors past due balances.

Cash deposit and derivatives: The credit risk for cash and derivative financial instruments is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk

The REIT's objective is to maintain a balance between continuity of funding and flexibility using bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities. Refer to "*Contractual Obligations*" section above for further details.

Management has determined that the REIT has the financial resources to sustain its operations for the 12 months following the date of the consolidated balance sheet.

Quarterly Information – Last Eight Quarters

	As at and for the three months ended							
	June 30 2022	March 31 2022	Dec. 31 2021	Sept. 30 2021	June 30 2021	March 31 2021	Dec. 31 2020	Sept. 30 2020
Rental revenue	6,877	5,201	6,253	7,650	6,871	7,420	7,706	7,154
Rental revenue - Total Portfolio (1)	8,897	7,253	8,225	9,773	8,967	9,531	9,941	9,606
Net rental income	6,718	1,873	5,813	7,022	6,918	4,438	7,761	7,260
Net rental income - Total Portfolio (1)	8,691	3,506	7,681	9,112	8,976	6,096	9,851	9,610
Net income attributable to Unitholders	(12,761)	2,094	(15,228)	32,151	9,247	4,165	(8,952)	4,445
FFO (1)	4,579	3,001	3,225	4,157	4,295	4,139	5,631	6,393
AFFO (1)	4,664	3,302	2,242	3,816	4,327	3,745	4,955	5,984
FFO per Unit (diluted) (1) (2)	0.14	0.09	0.10	0.12	0.13	0.12	0.17	0.19
AFFO per Unit (diluted) (1) (2)	0.14	0.10	0.07	0.11	0.13	0.11	0.15	0.18
Declared distribution per Unit	0.21	0.21	0.21	0.21	0.51	0.21	0.21	0.21
FFO payout ratio (2)	151.4%	230.4%	214.4%	174.7%	160.7%	167.0%	129.2%	108.6%
AFFO payout ratio (2)	148.6%	209.4%	308.4%	190.3%	159.5%	184.6%	146.8%	116.0%

(1) See the following section "Non-GAAP Financial Measures" for more information on the REIT's non-GAAP financial measures and reconciliations thereof. Non-GAAP measures do not have standardized meaning under IFRS. These measures as computed by the REIT may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other entities.

(2) Excluding the Participatory Distribution. Based on the diluted weighted average number of Units, Exchangeable Securities and the conversion of promissory notes in 2020.

Related Party Transactions

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

Inovalis S.A. 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.

Investment in Joint Ventures, Reconciliation

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements

	Three months ended					
	June 30, 2022			June 30, 2021		
(in thousands of CAD$)	**Amounts per REIT's financial statements**	**Share of net earnings from investments in joint ventures**	**Total**	**Amounts per REIT's financial statements**	**Share of earnings from investments in joint ventures**	**Total**
Rental income	6,877	2,020	**8,897**	6,871	2,096	**8,967**
Property operating cost recoveries	1,451	819	**2,270**	1,587	602	**2,189**
Property operating costs	(1,541)	(754)	**(2,295)**	(1,372)	(644)	**(2,016)**
Other revenues (expenses)	-	(294)	**(294)**	137	(2)	**135**
Other property operating expenses	(69)	182	**113**	(305)	6	**(299)**
Net rental income	**6,718**	**1,973**	**8,691**	**6,918**	**2,058**	**8,976**
General and administrative expenses	(1,245)	(333)	**(1,578)**	(2,105)	(419)	**(2,524)**
Eviction and disposal costs	-	-	**-**	-	-	**-**
Foreign exchange loss	87	-	**87**	(54)	-	**(54)**
Loss on disposal of investment properties	-	-	-	-	-	**-**
Gain on acquisiton of subsidiary	-	-	-	(108)	-	**(108)**
Loss on sale of investment in joint venture	-	-	**-**	-	-	**-**
Share of net income (loss) from joint ventures	(2,671)	2,671	**-**	(1,495)	1,495	**-**
Operating income	**2,889**	**4,311**	**7,200**	**3,156**	**3,134**	**6,290**
Net change in fair value of investment properties	(20,073)	(3,473)	**(23,546)**	6,814	(2,315)	**4,499**
Net change in fair value of financial derivatives	788	5	**793**	(1,860)	24	**(1,836)**
Net change in fair value of Exchangeable securities	1,904	-	**1,904**	(95)	-	**(95)**
Net change in fair value of Promissory notes	-	-	**-**	-	-	**-**
Finance income	1,270	(699)	**571**	884	(831)	**53**
Finance costs	(1,435)	(592)	**(2,027)**	(1,634)	(322)	**(1,956)**
Distributions on Exchangeable securities	(193)	-	**(193)**	(222)	-	**(222)**
Income (loss) before income taxes	**(14,850)**	**(448)**	**(15,298)**	**7,043**	**(310)**	**6,733**
Current income tax recovery (expense)	-	18	**18**	(2,007)	(31)	**(2,038)**
Deferred income tax recovery (expense)	2,105	430	**2,535**	4,145	341	**4,486**
Total income tax recovery (expense)	**2,105**	**448**	**2,553**	**2,138**	**310**	**2,448**
Net income	**(12,745)**	**-**	**(12,745)**	**9,181**	**-**	**9,181**
Non-controlling interest	16	-	16	(66)	-	(66)
Net income attributable to the Trust	**(12,761)**	**-**	**(12,761)**	**9,247**	**-**	**9,247**

(1) Consolidated statement of earnings amounts presented for the REIT were taken respectively from interim consolidated financial statements as at June 30, 2022 and audited consolidated financial statements as at December 31, 2021.

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements (Cont'd)

	Six months ended					
	June 30, 2022			June 30, 2021		
(in thousands of CAD$)	**Amounts per REIT's financial statements (1)**	**Share of net earnings from investments in joint ventures (2)**	**Total**	**Amounts per REIT's financial statements (1)**	**Share of earnings from investments in joint ventures**	**Total**
Rental revenue	12,078	4,071	**16,149**	14,291	4,206	**18,497**
Property operating cost recoveries	2,698	1,528	**4,226**	3,628	1,391	**5,019**
Property operating costs	(6,125)	(1,881)	**(8,006)**	(6,254)	(1,886)	**(8,140)**
Other revenues	39	(39)	**-**	204	-	**204**
Other property operating expenses	(99)	(72)	**(171)**	(513)	6	**(507)**
Net rental income	**8,591**	**3,607**	**12,198**	**11,356**	**3,717**	**15,073**
General and administrative expenses	(3,113)	(705)	**(3,818)**	(4,566)	(832)	**(5,398)**
Foreign exchange gain (loss)	(893)	-	**(893)**	(940)	-	**(940)**
Gain on acquisition of subsidiary	-	-	**-**	(108)	-	**(108)**
Share of net income (loss) from joint ventures	(2,346)	2,346	**-**	(1,066)	1,066	**-**
Operating income	**2,239**	**5,248**	**7,487**	**4,676**	**3,951**	**8,627**
Net change in fair value of investment properties	(17,942)	(2,948)	**(20,890)**	8,524	(2,083)	**6,441**
Net change in fair value of financial derivatives	1,587	(7)	**1,580**	974	(10)	**964**
Net change in fair value of Exchangeable securities	2,195	-	**2,195**	(774)	-	**(774)**
Net change in fair value of Promissory notes	-	-	**-**	-	-	**-**
Finance income	2,438	(1,477)	**961**	1,686	(1,730)	**(44)**
Finance costs	(2,609)	(914)	**(3,523)**	(3,260)	(638)	**(3,898)**
Distributions on Exchangeable securities	(387)	-	**(387)**	(452)	-	**(452)**
Income before income taxes	**(12,479)**	**(98)**	**(12,577)**	**11,374**	**(510)**	**10,864**
Current income tax expense	(43)	(3)	**(46)**	(2,184)	(4)	**(2,188)**
Deferred income tax recovery	1,913	328	**2,241**	4,200	514	**4,714**
Total income tax recovery (expense)	**1,870**	**325**	**2,195**	**2,016**	**510**	**2,526**
Net income (2)	**(10,609)**	**227**	**(10,382)**	**13,390**	**-**	**13,390**
Non-controlling interest	58	-	58	(21)	-	(21)
Net income attributable to the Trust	**(10,667)**	**227**	**(10,440)**	**13,411**	**-**	**13,411**

(2) Consolidated statement of earnings amounts presented for the REIT were taken respectively from interim consolidated financial statements as at June 30, 2022 and audited consolidated financial statements as at December 31, 2021.

(3) The difference in retained earnings when comparing the REIT's consolidated financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation (non-GAAP) purposes relates entirely to the impairment charge recorded on the REIT's loan to Delizy in accordance with IFRS 9. As the loan to Delizy has been considered equity for proportionate consolidation purposes, no impairment under IFRS 9 has been recorded, resulting in a reconciliation difference.

Balance Sheet Reconciliation to Consolidated Financial Statements

	As at June 30, 2022			As at December 31. 2021, as restated		
Assets	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures (2)**	**Proportionate Consolidation**	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures**	**Proportionate Consolidation**
Non-current assets						
Investment properties	482,359	133,782	616,141	427,631	145,592	573,223
Investments in joint ventures	53,582	(53,582)	-	64,327	(64,327)	-
Other financial assets	307	-	307	-	-	-
Derivative financial instruments	684	-	684	-	-	-
Restricted cash	4,584	-	4,584	4,964	-	4,964
Total non-current assets	**541,516**	**80,200**	**621,716**	**496,922**	**81,265**	**578,187**
Current assets						
Trade receivables and other financial assets	10,958	(552)	10,406	9,368	(1,303)	8,065
Derivative financial instruments	1,294	-	1,294	845	-	845
Other current assets	4,522	1,300	5,822	3,431	1,210	4,641
Restricted cash	117	-	117	52	-	52
Cash	13,347	4,100	17,447	76,627	3,101	79,728
Total current assets	**30,238**	**4,848**	**35,086**	**90,323**	**3,008**	**93,331**
Total assets	**571,754**	**85,048**	**656,802**	**587,245**	**84,273**	**671,518**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	266	-	266	334	-	334
Mortgage loans	89,577	63,144	152,721	48,662	61,258	109,920
Lease liabilities	97,995	9,076	107,071	106,351	9,918	116,269
Tenant deposits	2,141	131	2,272	1,172	129	1,301
Derivative financial instruments	-	-	-	366	-	366
Deferred tax liabilities	2,778	6,067	8,845	4,941	6,832	11,773
Total non-current liabilities	**192,757**	**78,418**	**271,175**	**161,826**	**78,137**	**239,963**
Current liabilities						
Interest-bearing loan	25	25	50	24	-	24
Mortgage loans	46,139	285	46,424	44,046	226	44,272
Lease liabilities	5,972	463	6,435	7,700	489	8,189
Tenant deposits	182	31	213	277	32	309
Exchangeable securities	6,820	-	6,820	9,015	-	9,015
Derivative financial instruments	-	-	-	853	-	853
Trade and other payables	14,258	2,622	16,880	11,248	2,286	13,534
Income tax payable	2,037	-	2,037	2,167	-	2,167
Deferred income	623	419	1,042	4,004	365	4,369
Total current liabilities	**76,056**	**3,845**	**79,901**	**79,334**	**3,398**	**82,732**
Total liabilities	**268,813**	**82,263**	**351,076**	**241,160**	**81,535**	**322,695**
Equity						
Trust units	289,180	-	289,180	288,752	-	288,752
Retained earnings (2)	22,853	2,965	25,818	46,979	2,738	49,717
Accumulated other comprehensive (loss) income	(10,385)	(180)	(10,565)	9,055	-	9,055
	301,648	**2,785**	**304,433**	**344,786**	**2,738**	**347,524**
Non-controlling interest	1,293	-	1,293	1,299	-	1,299
Total liabilities and equity	**571,754**	**85,048**	**656,802**	**587,245**	**84,273**	**671,518**

(1) Balance sheet amounts presented for the REIT were taken respectively from interim consolidated financial statements as at June 30, 2022 and restated audited consolidated financial statements as at December 31, 2021.

(2) The difference in retained earnings when comparing the REIT’s consolidated financial statements for IFRS purposes and the REIT’s financial statements for proportionate consolidation (non-GAAP) purposes relates entirely to the impairment charge recorded on the REIT’s loan to Delizy in accordance with IFRS 9. As the loan to Delizy has been considered equity for proportionate consolidation purposes, no impairment under IFRS 9 has been recorded, resulting in a reconciliation difference.

Risks and Uncertainties

The REIT is exposed to various risks and uncertainties, many of which are beyond the control of management, the occurrence of which could materially and adversely affect investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to unitholders. Management believes the risk factors described below are the most material risks to the REIT, however they are not the only ones. Additional risk factors not presently known to the REIT, or that management currently believes are immaterial, could also materially and adversely affect investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to unitholders, and negatively affect the value of the Units. In addition to the risks described herein, reference is made to the risks and uncertainties section in the REIT's latest Annual Information Form.

Risks Relating to the REIT and its Business

Financing risks, leverage and restrictive covenants may limit the ability for growth

The real estate industry is capital intensive. The REIT requires access to capital to maintain our properties, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favorable terms. Failure to access required capital could adversely impact investments, cash flows, operating results or financial condition, the ability to make distributions on the Units and the ability to implement the REIT's growth strategy.

As indebtedness increases there is risk that the REIT may default on its debt obligations. The ability to make scheduled payments on the principal of, or interest on, and to otherwise satisfy the REIT's debt obligations depends on future performance, which is subject to the financial performance of the properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the REIT's control.

As a result of the REIT's asset recycling plan and the resulting lease terminations, the REIT is currently in breach of certain restrictive covenants contained in certain of its debt obligations relating to the debt service coverage ratio. See the section "*Capital Management Financing Covenants*". If these breaches were to be enforced by the relevant lenders, a portion of the REIT's indebtedness may then become immediately due and payable. If the debt under these obligations or other debt instruments is accelerated, the REIT may not have sufficient liquid assets to repay amounts due thereunder. The REIT has been in communication with the lenders for both mortgage loans to refinance the loans and remediate the covenants that have been breached.

Following a comprehensive analysis by management that considered a wide range of factors related to the REIT's future cash flow, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the REIT's ability to continue as a going concern for at least the next twelve months.

Management has requested and expects to receive, formal waivers of these covenants by the lenders for a period of at least 12 months or a modification of the financing terms before the end of the year 2022.

Risks Inherent in the Real Estate Industry May Adversely Affect the REIT's Financial Performance

The REIT is subject to risks involving the economy in general, including, among other things, inflation, deflation or stagflation, unemployment, geopolitical events such as the conflict between Russia and Ukraine and a local, regional, national or international outbreak of a contagious disease, including COVID-19 and its potential intensification. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates, which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT.

In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing indebtedness on its maturity, or on terms that are as favorable as the terms of the existing indebtedness, which may impact negatively on AFFO, may restrict the availability of financing for future prospective purchasers of the REIT's investments, and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices to generate sufficient cash for operations and making distributions and interest payments.

Concentration of Tenants May Result in Significant Vacancies on the Properties

Five of the REIT's largest tenants, by percentage of total GLA, occupy 49.1% of the total weighted areas. Although all five tenants are committed to multi-year leases, which are set to expire gradually between 2023 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the earliest dates on which those five largest tenants may effectively move range between 2023 and 2026. To minimize this risk of vacancy, the REIT will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow the REIT to source tenants in advance of the current tenants vacating the property.

Lease Renewals, Rental Increases, Lease Termination Rights and Other Lease Matters

Leases for tenants of the REIT properties will mature or expire from time to time. There can be no assurance that tenants will renew leases upon the expiration or that rental rate increases will be achieved upon such renewal. The failure to renew leases or achieve rental rate increases may adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution.

Despite management's objective to maintain continuous occupancy of leased premises, tenants may fall into financial difficulty from time to time, and there can be no guarantee that tenants will continue to occupy such premises, nor be able to fully pay rent. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Environmental Contamination on Properties May Expose Us to Liability and Adversely Affect Financial Performance

The properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Prior to acquiring the interests in the properties (including the leasehold interests), management undertook environmental studies on each property. No sign of pollution was evidenced on any of the properties.

The REIT is subject to various federal, state, and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. The costs of any removal, investigation, or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial.

The REIT has insurance in place to protect against certain environmental liabilities in respect of certain of the properties, with limits, which are customary and available for portfolios like REIT's.

Necessary capital and operating expenditures are made to ensure compliance with environmental laws and regulations. Although there can be no assurance, management does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations, or distributions or cash interest payments.

The REIT May Incur Significant Capital Expenditures

Certain significant expenditures must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. To retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand, which can entail significant costs we may not be able to pass on to our tenants.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could entitle tenants to withhold or reduce rental payments, or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations, and our ability to make distributions on the Units.

Changes in Government Regulations May Affect Our Investment in Our Properties

The REIT is subject to laws and regulations governing the ownership, leasing or operations of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). This may include sudden regulatory changes required for the safe occupancy of buildings during the COVID-19 pandemic. In addition, the political conditions in the jurisdictions in which the REIT operates are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which the REIT is subject in the jurisdictions in which it operates could materially affect the rights and title to the properties. All the properties held, directly or indirectly, by the REIT are located in France, Germany and Spain. Although the governments in France, Germany and Spain are generally stable and friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on investments.

Failure to Receive Deductions for Interest Payments May Adversely Affect Our Cash Flows, Results of Operations and Financial Condition

During the acquisition of the properties, the REIT entered into financing transactions with third parties and affiliates. These financing agreements will require payment of principal and interest. There are several rules in German and Luxembourg tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of unitholder or affiliate financings, and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on cash flows, financial condition and results of operations and ability to pay distributions on the Units. In France, and assuming that interest rates on group loans are arm’s length, tax laws restricting the deductibility of interest expenses for corporate income tax purposes should have no impact since INOPCI 1 is exempt from corporate income tax provided it complies with its distribution obligations.

Changes in Currency Exchange Rates Could Adversely Affect Our Business

Substantially all of the REIT’s investments and operations are conducted in currencies other than Canadian dollars; however, distributions to unitholders are paid in Canadian dollars. The REIT also raises funds primarily in Canada from the sale of securities in Canadian dollars and invests such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on financial results, which are denominated and reported in Canadian dollars, and on the ability to pay cash distributions to Unitholders. Active hedging programs have been implemented to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and its ability to pay cash distributions to Unitholders may be negatively impacted.

Changes in Interest Rates Could Adversely Affect Cash Flows and the REIT’s Ability to Pay Distributions and Make Interest Payments

When concluding financing agreements or extending such agreements, management’s objective is to agree on terms for interest payments that will not impair desired profit, and on amortization schedules that do not restrict the ability to pay distributions to Unitholders. In addition to the variable rate portion of the leaseholds in respect of the REIT’s properties, management may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continues. Given the current historical low level of interest rates, there is a risk that interest rates will increase, which would result in a significant increase in the amount paid by the REIT and its subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Dependence on Inovalis S.A. for Management Services

The REIT is dependent on Inovalis S.A. with respect to the asset management of properties and the property management of the properties. Consequently, the REIT's ability to achieve its investment objectives depends in large part on Inovalis S.A. and its ability to provide advice. This means that the REIT's investments are dependent upon Inovalis S.A.'s business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Inovalis S.A. or its key personnel, our investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager.

While the trustees have similar oversight responsibility with respect to the services provided by Inovalis S.A. pursuant to the Management Agreement, the services provided by Inovalis S.A. are not performed by employees of the REIT, but by Inovalis S.A. directly and through entities to which it may subcontract. The Fourth Amended and Restated Management Agreement has an initial term of two years, expiring on March 31, 2023, but may be extended for an additional one-year term based on mutual agreement of Inovalis S.A. and the REIT.

Investments in, and Profits and Cash Flows From, Properties May be Lost in the Event of Uninsured or Underinsured Losses to Properties or Losses from Title Defects

The REIT carries general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in France, Germany and Spain and otherwise acceptable to the trustees. For the property risks, the REIT intends to carry "Multi-Risk" property insurance, including but not limited to, natural catastrophic events and loss of rental income insurance (with at least a 12 to 18-month indemnity period). The REIT also carries boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (of a catastrophic nature such as from pandemics, war, or nuclear accidents) that are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure currently. The REIT partially self-insures against terrorism risk for the entire portfolio. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, the REIT could lose the investment in, and anticipated profits and cash flows from, one or more of its properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties. The REIT does not carry title insurance on the properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property. The REIT does not carry pandemic insurance on the properties. If a loss occurs resulting from the inability of a tenant to pay rent, or a restriction on the operation of a property due to government regulation related to the COVID-19 pandemic, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

IFRS Reporting May Result in Our Consolidated Statement of Financial Position and Consolidated Statement of Earnings Being Subject to Volatility as the Fair Value of Portfolio Changes

The fair value of the REIT's properties is dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the properties, the availability and cost of financing and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of its properties. The REIT's chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value", with changes in fair value being recorded in earnings in the period of change. Accordingly, the statement of financial position and the statement of earnings are subject to volatility, as the fair value of its real estate portfolio changes and these changes may be material.

Reliance on Partnerships

The REIT has a material non-controlling interest in partnerships with several institutional investors. These arrangements create a risk as the business objectives or economic interests of the partner, as in any joint business arrangement, may not be aligned with those of the REIT. The partner may want to make decisions that negatively affect the value of its real estate assets or income of the REIT. Such investments may involve risks that are not present in investments where a third party is not involved, including the possibility that a partner may have financial difficulties, resulting in a negative impact on the investment, or be liable for the actions of its third-party partner. Although the REIT may not have control over these investments and therefore may have a limited ability to protect its position, such partnership arrangements contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venture partner's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. The REIT's investment in properties through joint arrangements is subject to the investment guidelines set out in the Declaration of Trust.

Income Taxes

Taxation of Trusts

The REIT qualifies as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax consequences to the REIT and its unitholders would be materially and adversely different in certain respects.

Application of the SIFT Rules

Certain rules (the "SIFT Rules") apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT may not acquire any non-portfolio property and, therefore, is not subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules, or the administrative policies or assessing practices, of the CRA will not be changed in a manner that adversely affects the REIT and unitholders.

FAPI

The REIT's "participating percentage" (as defined in the Tax Act) of "foreign accrual property income" ("FAPI") earned by any controlled foreign affiliate ("CFA") of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax", as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by the REIT, thereby increasing the allocation of income to the REIT and, therefore, the allocation of income by the REIT to unitholders.

In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada and in Canadian currency (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules, as compared to the FAPI rules and, accordingly, may result in additional income being allocated to unitholders.

Foreign Currency

For purposes of the Tax Act, the REIT is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada on the day such amount first arose or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates, or the administrative policies and assessing practices and policies of the CRA, the Department of Finance (Canada), and any foreign tax authority or tax policy agency, will not be changed in a manner that adversely affects the REIT, its affiliates, or unitholders.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to unitholders who are Non-Residents. These taxes, and any reduction thereof under a tax treaty between Canada and another country, may change from time to time.

Taxation of the REIT and the REIT's Subsidiaries

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and its subsidiaries, and thereby increase taxable income of unitholders and/or adversely affect the REIT's financial position and cash available for distribution to unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT's subsidiaries are able to deduct depreciation, interest and loan expenses relating to the REIT's properties for purposes of the Tax Act. No assurances can be given that the CRA will agree with capital cost allowance claims by the REIT's subsidiaries and that expenses claimed by the REIT and its subsidiaries are reasonable and deductible.

Qualified Investments

Management of the REIT will endeavor to ensure that the Units continue to be qualified investments for trusts governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund, a deferred profit-sharing plan, a registered disability savings plan and a tax-free savings account, each as defined in the Tax Act (collectively, "Plans"); however, there can be no assurance in this regard. In addition, Redemption Notes or other property received on an in-specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

EIFEL Rules

The Department of Finance (Canada) released proposed amendments to the Tax Act on February 4, 2022 (the "EIFEL Rules") that are intended to limit the deduction of interest and other financing expenses to protect the Canadian tax base from erosion due to excessive debt and related expenses. If enacted as proposed, the EIFEL Rules generally are effective for taxation years ending on or after January 1, 2023. Management is currently considering the impact of the EIFEL Rules on the REIT. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase. Unitholders are advised to consult their personal tax advisors.

German Taxes

The Luxembourg SPV would be subject to municipal trade tax ("TT") if acting through a German permanent establishment. Management of the REIT have assumed that the Luxembourg SPV will not be subject to TT based on the REIT's current understanding of the structure. However, no assurances can be given that the Luxembourg SPV will not be subject to TT.

Luxco taxation

CanCorpEurope S.A., a public limited liability company (or "société anonyme") and a subsidiary of the REIT ("Luxco") is a Special Investment Fund within the meaning of the Luxembourg law of 13 February 2007 ("SIF"), with multiple compartments and variable capital ("Société d'Investissement à Capital Variable") subject to a tax of 0.01% (so called "taxe d'abonnement") per annum of its Net Asset Value, so that it will be eligible for dividend withholding tax at a reduced rate of 15%. No assurance can be given that a tax authority will not challenge certain positions taken by the REIT and the REIT's subsidiaries in connection with the structure of Luxco.

Foreign Income Taxes

The REIT's subsidiaries are subject to tax either on their taxable income or on a withholding basis under applicable legislation in France, Germany, Luxembourg and the United States. These subsidiaries account for their current or recovered taxes at the current enacted and substantively enacted tax rates and use the liability method to account for deferred taxes. The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes.

The REIT's subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation, income derived from the French REIT's subsidiaries, incorporated under the form of Société Civile Immobilière subject to article 8 of the French Tax Code, and allocated to INOPCI 1, should be corporate income tax exempt in the hands of INOPCI 1 on the basis that INOPCI 1 complies with its distribution obligations. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is OPCI (collective undertaking for real estate investment) to CCE.

CanCorp Duisburg ("CCD"), TFI CanCorp Isenburg, TFI CanCorp Kosching, TFI CanCorp Stuttgart ("TFI CC"), CanCorp Cologne, CanCorp Cologne 2 and Trio are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum net wealth tax in Luxembourg. CCE is a Specialized Investment Fund according to the Luxembourg Specialized Investment Fund Law dated 13 February 2007 and as such is exempt from corporate income tax, municipal business tax and net wealth tax. CCE is subject to an annual subscription tax ("taxe d'abonnement") charged at an annual rate of 0.01% based on its net asset value, valued at the end of each calendar year.

Arcueil SCS is a Luxembourg partnership (société en commmandite simple), fully owned by CCE, that is tax transparent for Luxembourg corporate income tax purposes, i.e., all the income and expenses are deemed to be realized directly by the sole partner.

Trio, CCD and TFI CC are Luxembourg limited liability companies that are managed in Luxembourg and, therefore, should not be considered tax resident of Germany for German tax purposes. CCD, TFI CC, Trio, and CanCorp Cologne are collectively called the ("German Co"). However, the German Co are subject to corporate income tax ("CIT") in Germany on their German source of income (or in case German Co is a partnership and therefore transparent for CIT purposes its partners). As the German Co's rental revenues belong to German source income, such (net) income is subject to CIT, even if the German Co (and their shareholders) are not German tax residents. This is true irrespective of whether German Co is a corporation or a partnership and therefore transparent. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg and the double tax treaty between Germany and France because the German Co's properties are located in Germany and income from German real estate is taxed in the country where the real estate is located. To determine taxable income for CIT purposes, a taxpayer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property (in particular depreciation) and certain operating expenses) provided that such costs are incurred on arm's length terms.

Cancorp Vegacinco, a limited liability company, is established in Spain as a fully taxable company, subject to annual corporate income at a 25% rate.

Public Health Crises / COVID-19

COVID-19 is a global pandemic that has necessitated restrictive measures to combat the spread of the virus which have caused material disruptions to businesses globally, contributing to an economic slowdown that has been exacerbated by geopolitical conflict. Global equity and capital markets have also experienced significant volatility. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Vaccination programs and other measures to combat COVID-19 are in place across European countries, including in the cities and regions where the REIT's assets are located. The REIT has proactively taken actions in response to, or in furtherance of, these measures.

Notwithstanding the COVID 19 pandemic, such measures have not had a material impact on the REIT, and management believes that the REIT's performance will continue to be stable or strengthen in the foreseeable future, and over the longer term. Nonetheless, given the unpredictable nature of the COVID-19 pandemic, any continuation or intensification of such pandemic or related government measures could in the future have an adverse effect (which effect could be material) on the REIT's financial condition, results of operations, and cash flows, due to the following factors, or others:

- Weaknesses in national, regional, or local economies may prevent tenants from paying rent in full or on a timely basis.
- A reduction in tenant demand for space due to a general decline in business activity and discretionary spending could adversely affect the value of the REIT's assets. This could lead to an impairment of the REIT's real estate investments. In

addition, the REIT may be unable to complete planned development of land for expansion or other capital improvement projects on a timely basis, or at all, or the inability of third-party contractors to continue to work on construction projects.

- A general decline in business activity or demand for real estate transactions could adversely affect the REIT’s ability or desire to acquire additional assets.
- The financial impact of the COVID-19 pandemic could negatively impact the REIT’s ability to comply with financial covenants in its credit arrangements and result in a default, and potentially an acceleration of indebtedness. Such noncompliance could negatively impact the REIT’s financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the REIT’s ability to access capital necessary to fund business operations, including the acquisition or expansion of investment assets, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- An outbreak of COVID-19 or other contagious illness in an asset, or the market in which an asset operates, could negatively impact its occupancy, reputation, or attractiveness.
- The COVID-19 pandemic could negatively affect the health, availability and productivity of Inovalis S.A.’s personnel. It could also affect Inovalis S.A.’s ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the assets could also deter or prevent Inovalis S.A.’s on site personnel from reporting to work.
- Governmental agencies that permit and approve the REIT’s projects, suppliers, builders, and other business partners and third parties, may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the REIT’s business.
- Disruptions caused by COVID-19 may negatively impact the market price for the equity securities of the REIT and may, in the short or long term, materially adversely impact the REIT’s tenants and/or the debt and equity markets, both of which could materially adversely affect the REIT’s operations and financial performance and ability to pay distributions.

Other risks, including those described elsewhere in this MD&A related to changes to applicable laws and regulations, economic downturn in markets, debt financing, financing renewal, access to capital and the REIT’s reliance on information technology infrastructure, and the effects of these risks on the REIT’s financial condition, results of operations, cash flows, ability to make cash distributions, operations and the market price of its securities, could be exacerbated by the effects of the COVID-19 pandemic and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which the COVID-19 pandemic impacts the REIT’s operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The continued development and fluidity of this situation impedes the REIT’s ability to predict the ultimate adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the REIT’s performance, consolidated financial condition, results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of the REIT's consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Management bases its judgements, estimates and assumptions on experience and other factors that it believes to be reasonable under the circumstances. However, uncertainty about these judgements, estimates and assumptions could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting judgements estimates and assumptions in applying accounting policies are described in Note 4 to the annual audited consolidated financial statements of the REIT for the year ended December 31, 2021.

A description of significant accounting policies is provided in Note 3 of the annual audited consolidated financial statements of the REIT for the year ended December 31, 2021.

The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures ("DCP")

The CEO and CFO of the REIT have designed or caused to be designed under their direct supervision the REIT's DCP to provide reasonable assurance that: i) material information relating to the REIT is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the REIT in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO are assisted in this responsibility by management.

The CEO and CFO concluded that such disclosure controls and procedures were effective, as at June 30, 2022.

Internal Controls Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate ICFR to provide reasonable assurance regarding the reliability of the REIT's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

An evaluation of the adequacy of the design and effective operation of the REIT's ICFR was conducted under the supervision of management, including the CEO and CFO, as at June 30, 2022. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate. Based on that evaluation, the CEO and the CFO have concluded that the design of ICFR was complete as at June 30, 2022. These controls, although implemented, were not fully assessed for operating effectiveness, as at June 30, 2022.

Further to the material weakness identified in the operation of the control over review of loan covenants during the fiscal year ended December 31, 2021 and the three-month period ended March 31, 2022, management has taken and will continue to take a number of actions to remediate this material weakness. During Q2 2022, the REIT developed and implemented a remediation plan to address this material weakness that identifies areas where enhanced precision will help detect and prevent material misstatements. This remediation plan includes, but is not limited to:

- The implementation of a documented process for management to adequately assess the accounting implications of loan covenant breaches on the financial statement presentation of the loans;
- The implementation of a process for management to raise loan covenant breaches with lenders before they occur and immediately start discussing remedial actions and obtain advance waivers that endure for a term of at least twelve months beyond the immediate quarterly reporting period.
- The refinement of the Internal Audit Plan to increase the Internal Auditor's scrutiny over management's review of loan covenants.

The material weakness cannot be considered remediated until the applicable relevant controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Although the REIT can give no assurance that these actions will remediate this material weakness in internal controls or that additional material weaknesses in our ICFR will not be identified in the future, management believes the foregoing efforts will effectively remediate the identified material weakness. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the REIT's ICFR environment.

As defined by National Instrument 52-109 of the Canadian Securities Administration, a material weakness means a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual or interim financial statements will not be prevented or detected on a timely basis.

Accordingly, a reasonable possibility exists that material misstatements in the REIT's financial statements will not be prevented or detected on a timely basis.

Notwithstanding the material weaknesses identified, the REIT has concluded that the financial statements, as at June 30, 2022 are fairly represented in all material respects, in accordance with IFRS.

Actions undertaken in 2021

In line with the remediation plan outlined in the December 31, 2020 MD&A, Inovalis SA, the asset manager of the REIT, was successful in having an internal audit specialist independent of management, to assess the operating effectiveness of the REIT's ICFR. The testing program has been developed and will be acted against in fiscal year 2022.

Inherent Limitations

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.