INOVALIS

REAL ESTATE INVESTMENT TRUST

CONTENTS

Letter to Unitholders

Six years after becoming a publicly traded REIT, Inovalis REIT has managed to demonstrate the breadth of its real estate knowledge in France and Germany, two major markets in continental Europe, and keeps on delivering steady and solid returns to unitholders, while building a diversified portfolio and improving its risk diversification.

Six years after our IPO, this second quarter was focused on duties ensuing from the transactions and refinancing completed between year-end 2018 and Q1'19, resulting from the post-closing duties with the view to ready our platform to address growth plans for the second half of 2019 and 2020.

With the recently completed sale of the Hanover property and the acquisition of Trio as well as the refinancing for both Metropolitain and Courbevoie for terms of more than five years at rates of interest of only slightly above 2%, we have now de leveraged to debt levels to only 44.7%. (52.4% for our Total Portfolio)We believe that this now gives us a great deal of scope to grow the business and continue to grow our real estate portfolio.

The second quarter results increased compared to the previous quarter and I am pleased to report that the REIT's Q2 2019 FFO and AFFO were respectively CAD\$6.0 million and CAD\$6.2 million (versus CAD\$4.8 million and CAD\$5.3 million in Q1 2019), thus delivering FFO/unit and AFFO/unit of CAD\$0.21 (vs a CAD\$0.17 FFO/unit and CAD\$0.19 AFFO/unit in Q1 2019). The REIT's FFO payout ratio improved, quarter to quarter, from 125.2% to 101.4% and the AFFO payout ratio improved from 113.5% to 98.6%.

The IP Portfolio occupancy at June 30, 2019 was 87.5%, compared to 88.6 % at December 31, 2018 and the occupancy rate across the Total Portfolio slightly decreased from 93% as at December 31, 2018 to 91.7% as at the end of June 2019. We are forecasting positive impacts of management's leasing efforts throughout the portfolio that should improve the performance over next two quarters.

Finally, I would like to thank our Board of Trustees, colleagues, advisors, investors and lenders for helping us further expand Inovalis REIT, for showing such great confidence in us and for being extremely committed to our unique story.

I look forward to your continued support as we grow our business together.

Stephane Amine

President of Inovalis Real Estate Investment Trust

August 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

HIGHLIGHTS

- **Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO")**

In Q2 2019, the REIT reported Funds from Operations (FFO) and Available Funds from Operations (AFFO) of CAD$0.21 per unit. This marks a return to guidance, following Q1 2019's results of CAD$0.17 and CAD$0.19 per unit for FFO and AFFO respectively. In line with these increases both the REIT's FFO and AFFO payout ratios improved, quarter to quarter, from 125.2% to 101;4% and the AFFO payout ratio improved from 113.5% to 98.6%.

- **Leasing Operations**

Q2 2019 saw the REIT benefit from Management's efforts to let several vacant spaces of the portfolio assets. New leases were signed at both our IP (Sablière) and JV Portfolio (Arrow - Neu-Isenburg), and a lease renewal was signed at the Baldi property.

Subsequent to quarter end, at Jeuneurs property, an agreement was signed with the current single tenant to extend the in-place lease by 2 years and 8 months. Management continues to strive to lease the remaining vacant surfaces, selectively completing CAPEX improvements on vacant areas to attract tenants, maximize rents and, subsequently, sustain returns to Unitholders.

- **Net Rental Income**

Net rental for Q2 2019 (adjusted for IFRIC 21) was CAD$5.86 million (EUR3.90 million), in-line with the adjusted net rental income for the same period in 2018 CAD$6.01 million (EUR3.91 million). This stabilization is due to the successful integration of the Trio asset into the REIT's portfolio: it has generated a net rental income of approximately CAD$1.06 million for the quarter, compared to historical quarterly net rental income of CAD$0.51M from the Hannover asset, thus supporting Management's rationale for the decision to sell Hannover and reinvest the sale proceeds in the Trio asset. This increased net rental income does offset the reduced rental income from the Vanves asset, following the departure of ADEME (this vacancy being handled as part of the asset repositioning presently under study), and keeps the REIT's year-on year net rental income stable.

In Q2 2019, net rental income (adjusted for IFRIC 21) for our Total Portfolio was CAD$8.89 million (EUR5.92 million), compared to CAD$9.25 (EUR 6.02 million) for the same period in the previous year, this decrease (EUR0.1 million) being due to service charges settlements on the JV Portfolio.

- **Rueil Development Loan**

Subsequent to quarter end, on July 25, 2019, the forward sale agreement for the underlying asset relating to the "Rueil development loan" was signed. The economics of this agreement confirm the budgetary assumptions applied by Management in valuing the profit participation component of the loan since 2018 and allow Management to anticipate future (2020) fund inflows following the reimbursement of the loan, as per the initial loan plan.

- **Financing Activity**

The REIT currently has a weighted average interest rate of 2.03% across the Total Portfolio. Following recent refinancing operations – Veronese (Courbevoie) and Metropolitain properties - the REIT has a debt level of 52.4%, comfortably within its mandated threshold of 60%.

During the quarter, the REIT also extended the financing in place for the Duisburg asset. Our joint-venture partner also agreed to extend the joint venture agreement until year end, as reletting options beyond December 2020 are being studied.

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OVERVIEW – GAAP AND NON-GAAP

Our key performance indicators are set out below. "Non-GAAP" and Total Portfolio measures include our proportionate interest in joint ventures, please refer to "*Non- GAAP Reconciliation*".

	June 30, 2019		December 31, 2018	
Operational information	IP Portfolio	Total Portfolio	IP Portfolio	Total Portfolio
Number of properties	7	15	7	15
Gross leasable area (sq.ft)	852,387	1,416,896	772,403	1,336,797
Weighted Occupancy rate (end of period) (2)	87.5%	91.7%	88.6%	93.0%
Weighted average lease term	3.7 years	3.7 years	4.9 years	4.5 years
Average capitalization rate (3)	5.2%	5.5%	5.8%	5.8%
Financing information				
Level of debt (debt-to-book value) (4)	44.7%	52.4%	38.3%	47.7%
Level of debt (debt-to-book value, net of cash) (4)	43.4%	51.1%	36.3%	45.8%
Weighted average term of principal repayments of debt	5.8 years	5.2 years	5.5 years	5.1 years
Weighted average interest rate (5)	2.06%	2.03%	2.15%	2.11%
Interest coverage ratio (6)	3.3 x	4.0 x	4.5 x	3.9 x

	Three months ended		Six months ended	
(thousands of CAD$ except per Unit and other data)	June 30 2019	June 30 2018	June 30 2019	June 30 2018
Operating results				
Rental revenue	6,593	6,539	12,636	13,253
Rental revenue - Total Portfolio (1)	9,794	9,830	19,053	19,548
Net rental income	6,724	6,882	9,629	10,724
Net rental income - Total Portfolio (1)	9,937	10,314	15,464	16,230
Net income (loss) for the period, attributable to the Trust	3,201	5,970	1,331	4,077
Funds from Operations (FFO) (7)	6,018	8,164	10,869	13,934
Adjusted Funds from Operations (AFFO) (7)	6,194	8,047	11,254	13,504
FFO per Unit (diluted) (7) (8)	0.21	0.30	0.38	0.49
AFFO per Unit (diluted) (7) (8)	0.21	0.30	0.39	0.48
Distributions				
Declared distributions on Units and Exchangeable sec.	5,058	4,684	10,095	9,922
Declared distributions on Units and Exchangeable sec. & Promissory note	6,105	5,928	12,179	11,458
Declared distribution per Unit	0.21	0.21	0.41	0.41
FFO payout ratio (7)	101.4%	72.6%	112.1%	82.2%
AFFO payout ratio (7)	98.6%	73.7%	108.2%	84.8%

(1) Considering interests that the REIT has in partnerships.
(2) Calculated on weighted areas (activity, storage and inter-company restaurant areas being accounted for only a third of their effective areas), including vendor leases.
(3) Calculated on annualized net rental earnings (based on net rental earnings for the year-to-date period).
(4) The definition of *debt-to-book value* and of *debt-to-book value, net of cash* can be found under the section *Non-GAAP Financial Measures.* The figures presented for the periods ended June 30, 2018 and December 31, 2018 have been reclassified, when appropriate, in order to ensure comparability with the figures for the period ending June 30, 2019.
(5) Calculated as the weighted average interest rate paid on the finance leases and the mortgage.
(6) Calculated as net rental earnings plus interest expense, less administrative expenses, divided by interest expense on the financial leases and mortgage financings.
(7) The reconciliation of FFO and AFFO to earnings can be found under the section *Non-GAAP Reconciliation (FFO and AFFO).*
(8) Based on the diluted weighted average number of Units, Exchangeable Units and the conversion of Private Placement Promissory Note.

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 consolidated financial statements for the six months period ended June 30, 2019, and the notes thereto.

The REIT has historically, within the MD&A, presented operating results based on financial information developed using proportionate consolidation for all the REIT's joint ventures, which are accounted for using the equity method, as required by IFRS 11 "Joint Arrangements". This manner of presentation provided current and prospective investors with, in management's view, the relevant information to assist them in understanding the REIT's financial performance, while providing for a reconciliation of such Non-Generally Accepted Accounting Principles ("GAAP") information to the REIT's financial statements as reported under IFRS in the relevant sections of the MD&A. The MD&A will begin with an Overview, providing a summary of the REIT's performance and operations for the period, including both GAAP and non-GAAP metrics. Management believes this presentation provides users of this MD&A additional information about the source of the revenue used by the REIT to pay distributions on its units, as joint venture structures represent significant equity investments (joint ventures account for approximately 30% of the total value of all properties held by the REIT), are a significant component of the REIT's investments.

This MD&A has been prepared considering material transactions and events up to and including August 14, 2019. Financial information provided in the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. All amounts in this MD&A are in thousands of Canadian dollars and Euro, except per unit amounts and where otherwise stated. Historical results, including trends which might appear in this MD&A, should not be taken as indicative of future operations or results. Additional information about Inovalis REIT has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com. The exchange rate used throughout this MD&A for statement of earnings items is the average rate during the applicable period which for the six months ended June 30, 2019 and June 30, 2018 are CAD$1.5064 and CAD$1.5459, respectively. For balance sheet items as at June 30, 2019, projections or market data, the exchange rate used is CAD$1.4890 (CAD$1.5637 as at December 31, 2018).

FORWARD-LOOKING INFORMATION

Although we believe that the expectations reflected in the forward-looking information are reasonable, we can give no assurance that these expectations will prove to have been 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) we will continue to receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure or distributions; (iv) we will retain and continue to attract qualified and knowledgeable personnel as we expand our portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with our current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting our operations; (vii) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (viii) capital markets will provide us with readily available access to equity and/or debt financing. The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors listed under the Risk and Uncertainties section of the Q4 2018 MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such 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 SA based on its knowledge of the commercial real estate industry in which we operate (including Inovalis SA estimates and assumptions relating to the industry based on that knowledge). Inovalis SA's knowledge of the real estate industry has been developed through its 20 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 SA, our asset manager. Our Units have been listed on the Toronto Stock Exchange under the trading symbol INO.UN since April 10, 2013. Our head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

Our long-term objectives are to:

- generate predictable and growing cash distributions on a tax-efficient basis from investments in income-producing office properties;
- maximize the long-term value of both our properties and Units through active and efficient management;
- grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our investment criteria; and
- increase the cash available for distribution to holders of Units ("Unitholders"), through an accretive acquisition program that successfully leverages Inovalis SA's extensive relationships and depth of commercial property and financing.

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 EUR20 million (CAD$30 million) to EUR60 million (CAD$90 million), unless AFFO accretive and a 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.

BUSINESS ENVIRONMENT [1]

The high level of investment volumes at the end of the first half of 2019, and the expected completion of other very large transactions, indicate that the Greater Paris Region investment market is set to have another exceptional year. All the conditions seem to be in place to approach, or even repeat, the very strong performance seen in 2018 (EUR18.6 billion invested in offices), despite an international context marked by strong geopolitical and commercial tensions, the still real possibility of a hard Brexit and the slowdown in the global economy.

French commercial real estate investment market

Investment

The Greater Paris Region office market was back within the average range with just over 1.1 million sq. m. of transactions over 2019 year-to-date. (-19% year over year). There was a further decrease in availability in the Greater Paris Region office market with 2,856,000 sq. m. of vacant space by the end of June (-7% year on year), representing a vacancy rate of 5.3%. Prime and average rental values rose across most markets in the Greater Paris Region; the benchmark prime rent in the Central Business District of Paris now stands at 830EUR per sq. m./year.

Inovalis REIT
Paris Property Locations

Central Business District
- Jeuneurs
- Metropolitain

Paris - 14th District and Montparnasse Area
- Sablière

La Defence Periphery
- Le Véronèse / Courbevoie

Northeastern Periphery
- Diamants / Pantin

Northern Inner Rim of Paris
- Baldi / St Ouen

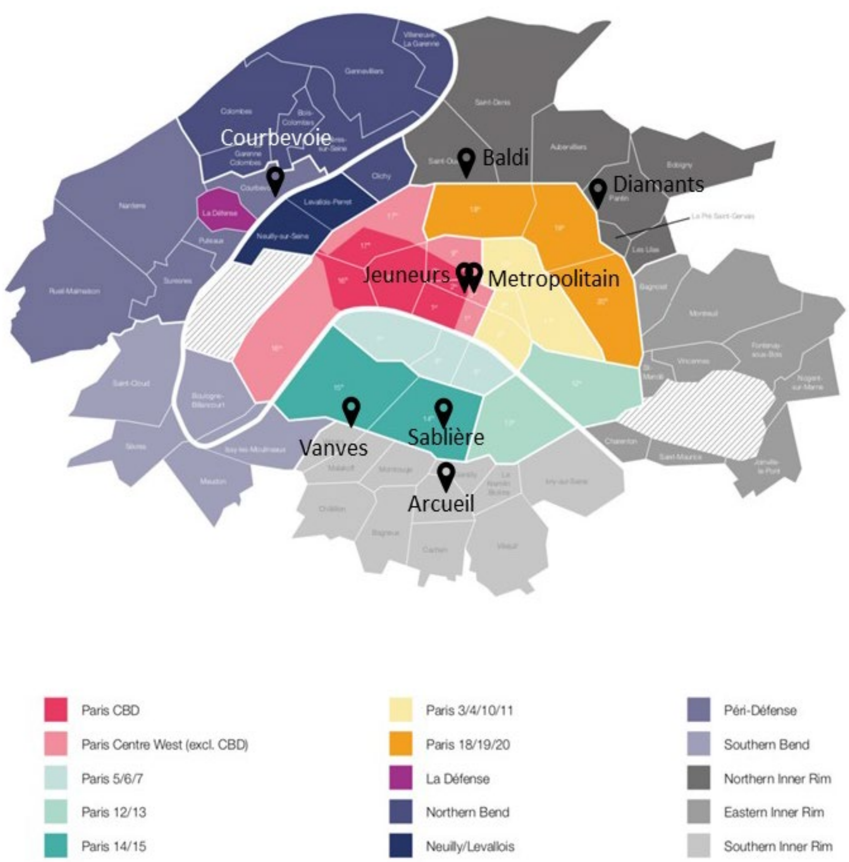
Southern Inner Rim of Paris
- Béarn Berry Artois (BBA) / Vanves
- Arcueil

[1] *Sources: Jones Lang LaSalle and Knight Frank*

During Q2 2019, 593,000 sq. m. of office space was leased or sold to tenants in the Greater Paris Region. Slightly higher than in the first quarter, this volume brings total take-up for the first half of the year to 1.1 million sq. m. This is down 15% compared to the same period in 2018, but still 6% higher than the ten-year average.

The lack of very large transactions is the principle reason for the decrease in take-up since the beginning of 2019. The scarcity of available supply and the increase in market rents have also limited the number of new transactions, slowing down decision-making and encouraging tenants to renegotiate their leases rather than move.

The analysis of take-up by area category illustrates the strength of the Greater Paris Region office market. The small and medium-sized transactions category showed only a slight decrease of 3% year-on-year, despite the significant shortage of supply in inner-Paris and the continued increase in co-working spaces. Intermediate sized areas (1,000 -5,000 sq. m.) remain particularly popular, with a take-up volume of 426,000 sq. m., of which 38% was concentrated in the capital.



Volumes invested in the Greater Paris Region office market tripled between the first and second quarters of 2019 and totaled EUR8.6 billion over the first half of the year. Up 13% year-on-year, this amount represents 75% of all amounts invested in France, all asset types combined.

Large transactions played a key role, those undertaken by SWISS LIFE ("Texas" portfolio) and PRIMONIAL REIM associated with the Koreans of Samsung ("Le Lumière", Paris 12th), for a cumulative volume of almost three billion euros. These two large transactions also explain the over-representation of the inner-Paris market. The capital alone accounted for 55% of the total investment volume in offices in the Greater Paris Region since the beginning of 2019, including a significant proportion in the Paris Centre West sector. Among the most significant transactions recorded in western Paris was the sale to GCI and LONE STAR of the former LAFARGE-HOLCIM headquarters at 61-63 rue des Belles Feuilles in the 16th district. Other notable acquisitions include those by UNION INVESTMENT, AMUNDI and LA FRANÇAISE of three buildings leased to WEWORK and SPACES in the 1st, 9th and 17th districts, highlighting the ever-increasing role of the coworking giants in Paris.

While Paris was the star of the first half of the year, La Défense could well take over by the end of 2019. In addition to the two transactions of more than EUR200 million recorded since January (the "Europe" and "CBX" towers, sold to KIS and HINES), several other major transactions will also be completed, testifying to the confidence that foreign investors, particularly Koreans, have shown in the future of Europe's leading business district. Elsewhere in the Greater Paris Region, the remainder of investment activity is split between Western areas that are in proximity to La Défense (Neuilly-sur-Seine, Rueil-Malmaison, Nanterre, etc.) and other Inner Suburb markets such as the South. The latter remains very popular: continuing the very good results of the 2nd half of 2018 (EUR715 million invested), EUR650 million were invested in the 1st half of 2019, mainly concentrated in the towns of Montrouge, Chatillon and Malakoff. This sector has many advantages for investors (proximity to Paris, quality surroundings, access improved by the creation of Grand Paris' line 15 and the extension of line 4 of the metro, etc.)

Korean acquisitions boosted the share of core assets, which accounted for 72% of all amounts invested in offices. However, the Greater Paris Region office market also remains very attractive for investors who prefer greater risk exposure, encouraged by the strength of occupier demand, a controlled office supply and the potential for growth in Market Rents. This is the case for the British and North Americans, who have targeted several higher-risk transactions and properties that need to be refurbished in Paris and the Inner Suburbs.

German Commercial Real Estate Market

Investment

In the first half of the year, more than EUR24.4 billion was invested in commercial real estate nationwide. This represents the third-highest volume in the last twelve years. The investment markets defy a whole range of potential disruptive factors and continue to be characterized by strong national and international demand. The strength of demand is underscored by the fact that the record volume of single deals set last year was exceeded once again. In total, a good EUR20.1 billion was invested in individual properties, accounting for around 82% of the total.

Inovalis REIT

Germany Property Locations

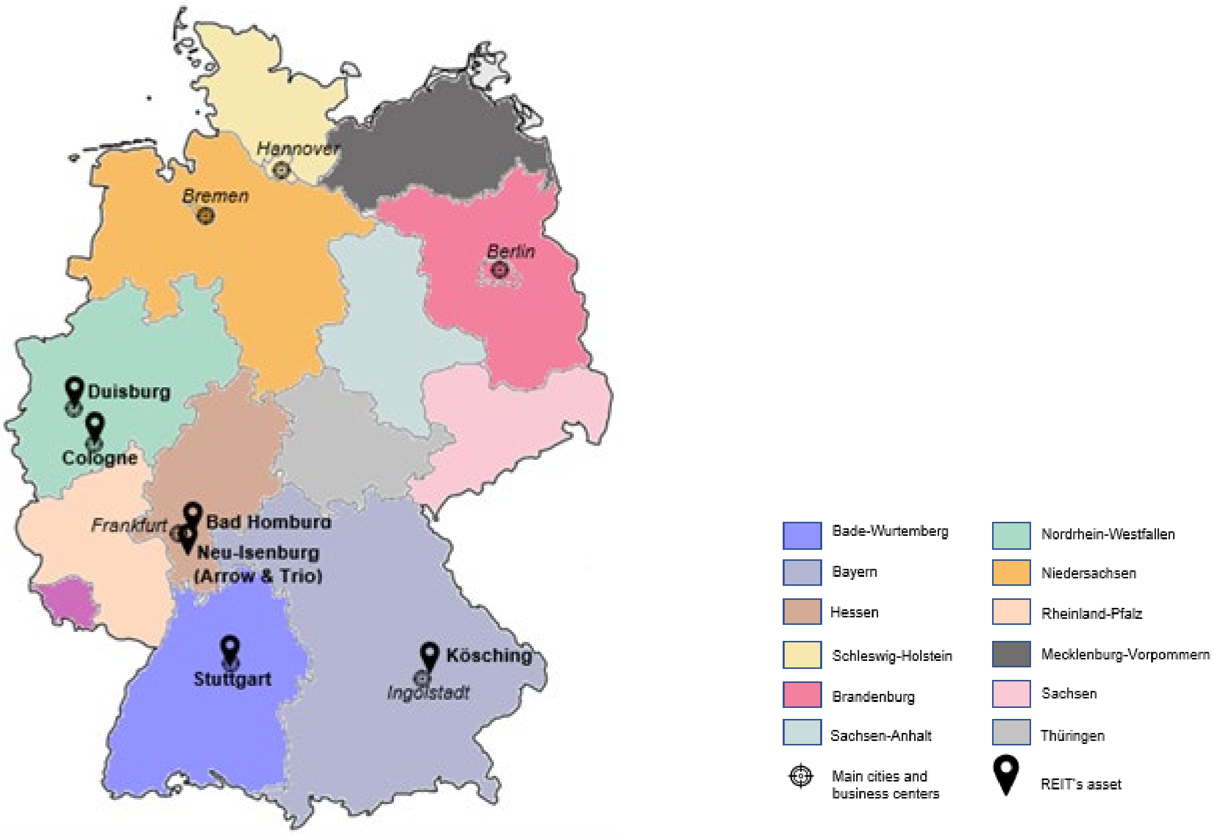
- Duisburg
- Bad Homburg
- Cologne
- Stuttgart
- Neu-Isenburg (Frankfurt)
  - Arrow
  - Trio
- Kösching (Ingolstadt)

Even though the A- locations (Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart) miss the previous year's record by 13%, EUR13.8 billion still represents the second-best volume in 10 years. In Berlin, with over EUR5.2 billion a new record was set. In second place comes Frankfurt with a good EUR2.3 billion. As the banking metropolis benefited from many major deals in 2018, the current result is about a third lower. The situation is similar in Munich with EUR2.2 billion, which corresponds to third place in Germany. Dusseldorf records the second-best results of all times with just under EUR1.2 billion.

Office buildings account for a good EUR11.5 billion or almost half of the turnover, which puts them in first place. Retail properties are ranked second at EUR5.4 billion (22%).

In the second quarter, prime yields for offices were largely stable. Only in Hamburg the net prime yield has fallen by 10 basis points to 2.95% and is now at the same level as in Frankfurt. Berlin remains the most expensive location with an initial net yield of 2.70% ahead of Munich with 2.80%. Outside the four absolute top locations, i.e. Cologne, Dusseldorf and Stuttgart, they are still quoted at 3.10%.

Strong demand and a dynamic development of the investment markets can also be expected for the second half of the year, which will be positively influenced by various factors: the financing environment, which has been very favorable for some time, while at the same time there are limited alternative opportunities with comparable return prospects; the continuing tailwind from the occupier markets, as – in the first half of the year - office take-up reached a new record high, while rents rose across a broad front. From the investors point of view, real estate investments continue to be very attractive and relatively high prices are also justified.



Strong demand at all locations

In the first half of the year the German office markets are proving to be in an impressive shape and are only slightly below the 2 million sqm mark. This set a new all-time high and exceeded the previous year's results by 8%.

It is particularly noteworthy that strong demand was observed at all locations. Berlin lands just behind the front-runner Munich with 418,000 sqm (+9%) This represents a new take-up record, under-lying the fact that the dynamic development of the capital is continuing. Hamburg secures third place with 306,000 sqm (+23%). The Frankfurt market grew by almost 3%, achieving a take-up of 281,000 sqm. With Dusseldorf (244,000 sqm; +25%) and Essen (96,000 sqm; +32%), two further cities have participated in the record race and set new benchmarks.

The dynamic vacancy reduction of recent years has continued over the past twelve months. The total vacancy across all locations fell by just under 16% and, at a good 3.87 million sqm, is now well below the 4 million sqm threshold, as it was already in the first quarter of 2019. Vacancy has fallen in all cities, even though at different levels. As a result, the current vacancy rate across all locations is only 4.1%.

Rents continue to rise in all markets

The very strong demand and simultaneously declining supply of space is reflected in rents. Top rents have risen by an average of a good 6% across all cities. The strongest increase was in Hamburg to 30EUR/ sqm and Cologne 24.50EUR/ sqm with 11% growth each. This means that both cities are even more dynamic than Berlin. At 37EUR/ sqm, the prime rent in the capital is just under 9% above the comparable figures of the previous year and is approaching the 40EUR mark with big steps.

Portfolio

The REIT has an interest in fifteen properties, (the "Property Portfolio" or "Total Portfolio"), of which seven are entirely owned by the REIT (the "IP Portfolio") and eight are held through partnerships with various global institutional funds, (the "JV Portfolio"). Eight properties are in France and seven properties are in Germany.

Asset	% owned	REIT Ownership Valuation as at June 30, 2019	% of REIT's Portfolio Value	Gross Leaseable Area (GLA)	Contribution to GLA	# of tenants	Occupancy rate (including vendor leases)	Weighted occupancy rate (including vendor leases)	WALT (end of lease)
		(CAD)	%	sq. ft.	%		%	%	Years
Jeuneurs	100%	69,864	10%	50,407	3%	1	100%	100.0%	1.5
Courbevoie	100%	40,874	6%	95,903	8%	6	86%	87.7%	2.9
Vanves	100%	126,574	19%	258,673	18%	5	81%	80.5%	2.4
Sablière	100%	36,451	5%	41,043	3%	6	93%	94.3%	3.6
Baldi	100%	36,435	6%	123,657	9%	9	72%	80.9%	4.8
Metropolitain	100%	92,852	14%	78,818	5%	7	100%	100.0%	6.0
Arcueil	25%	33,528	5%	83,630	6%	1	100%	100.0%	3.7
Pantin	50%	20,045	3%	71,628	5%	17	100%	100.0%	3.4
Subtotal France		**456,623**	**68%**	**803,759**	**57%**	**52**	**85.9%**	**87.4%**	**3.4**
Trio	100%	69,835	10%	203,886	14%	6	93%	91.8%	4.6
Duisburg	50%	38,260	6%	108,960	8%	1	100%	100.0%	1.5
Bad Homburg	50%	16,900	3%	54,553	4%	6	93%	97.3%	3.7
Cologne	6%	2,091	0%	3,930	-	1	100%	100.0%	6.4
Stuttgart	50%	34,452	5%	121,416	8%	5	96%	98.6%	4.5
Neu-Isenburg	50%	31,397	5%	67,334	5%	4	92%	91.9%	4.0
Kösching	50%	21,575	3%	53,058	4%	1	100%	100.0%	8.4
Subtotal Germany		**214,510**	**32%**	**613,137**	**43%**	**24**	**95.4%**	**95.8%**	**4.1**
Total - France and Germany		**671,133**	**100%**	**1,416,896**	**100%**	**76**	**90.8%**	**91.7%**	**3.7**
IP Portfolio		**472,885**	**70%**	**852,387**	**60%**	**40**	**86.4%**	**87.5%**	**3.7**
JV Portfolio		**198,248**	**30%**	**564,509**	**40%**	**36**	**97.6%**	**98.4%**	**3.7**

In January 2019 the REIT sold the 124,076 square foot Hanover property and in March 2019 acquired the 203,886 square foot Trio property. The IP Portfolio occupancy at June 30, 2019 was thus maintained at 87.5%, compared to 88.6 % at December 31, 2018. The occupancy rate across Total Portfolio fell from 93.0% as at December 31, 2018 to 91.4% as at end of June 2019.

The average lease term for JV Portfolio decreased to 3.7 years as at June 30, 2019 from 4.5 years as at December 31, 2018. The average lease term for Investment Property Portfolio decreased to 3.7 years compared to 4.9 as at December 31, 2018.

Ongoing negotiations should favourably impact the above indicators by the end of 2019.

Tenants

The tenant base in the Property Portfolio is well diversified by industry segment, with many national and multinational tenants. As at June 30, 2019, the REIT had 40 tenants across the IP Portfolio and 76 across the entire Portfolio. Our largest tenant, Orange (formerly France Telecom), is rated BBB+/Baa1/BBB+ by S&P/Moody's/Fitch and has leases in two of our properties, the Vanves property and the Arcueil property.

All leases contracts have rental indexation based on the French ICC (construction cost index), ILAT (index averaging construction costs and CPI indexes) or the German Consumer Price Index, as applicable.

The following table shows our five largest tenants, sorted by contribution to gross leasable area (GLA) in the IP Portfolio.

Tenant	Tenant Sector	GLA (sq.ft.) (1)	Weighted Areas (sq.ft) (1)	% of Weighted Areas
Orange (Formerly France Telecom)	Telecommunications	186,070	181,096	22.5%
The Lorenz Bahlsen Snack-World GmbH & Co. KG Germany	Food and beverage	91,150	86,270	10.7%
Rue Du Commerce	E-commerce	51,926	51,926	6.5%
CNAM	Education & Training	50,407	49,543	6.2%
SAS Smart & Co	Internet and direct marketing retail	43,481	39,796	5.0%
Top 5 tenants		**423,034**	**408,631**	**50.9%**
Other tenants	Diversified	313,621	294,460	36.6%
Vacant		115,732	100,441	12.5%
Total GAAP Measures		**852,387**	**803,532**	**100.0%**

(1) Activity, storage and intercompany restaurant areas are weighted by being accounted for a third of their effective areas.

The REIT's five largest tenants across the Property Portfolio are presented in the table below.

Tenant	Tenant Sector	GLA (sq.ft.) (1)	Weighted Areas (sq.ft) (1) (2)	% of Weighted Areas
Orange (Formerly France Telecom)	Telecommunications	269,700	89,379	6.8%
Daimler AG	Manufacturer	109,136	100,486	7.7%
Hitachi Power	Manufacturer	108,959	104,046	7.9%
The Lorenz Bahlsen Snack-World GmbH & Co. KG Germany	Food and beverage	91,150	86,270	6.6%
Arrow Central Europe	E-commerce	55,639	51,717	3.9%
Top 5 tenants		**634,584**	**431,898**	**32.9%**
Other tenants	Diversified	647,173	769,711	58.8%
Vacant		135,139	108,761	8.3%
Total Non-GAAP Measures		**1,416,896**	**1,310,370**	**100.0%**

(1) Considering the interests that the REIT has in properties held in partnerships
(2) Activity, storage and intercompany restaurant areas are weighted by being accounted for a third of their effective areas.

Lease profile

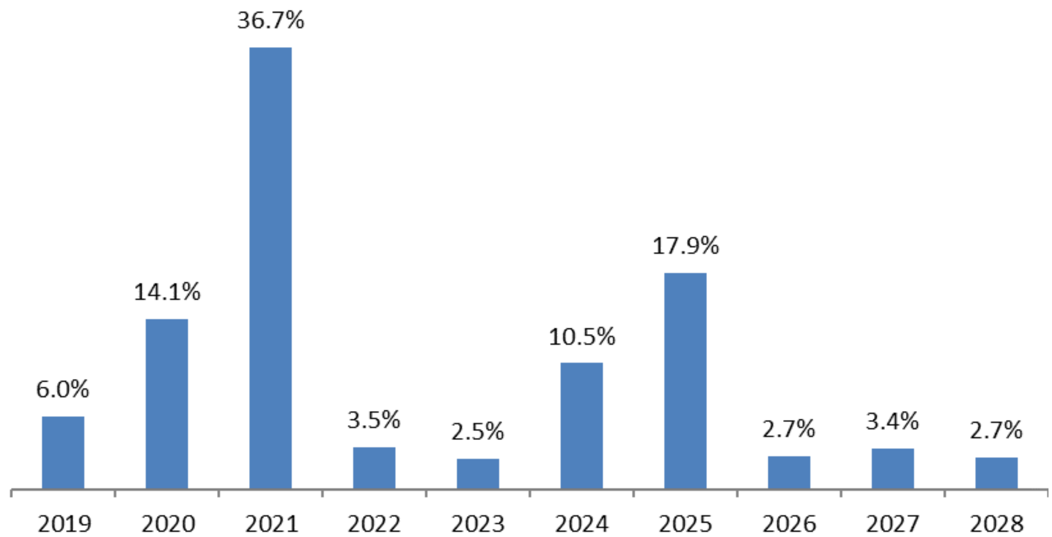
The average remaining lease term in the IP Portfolio is 3.7 years (not including tenant early termination rights). Assuming all tenants leave at the earliest possible early termination rights, which the REIT believes is unlikely, the average remaining lease term in our portfolio is 3.4 years. The following graph sets out the percentage of total GLA of the IP Portfolio subject to leases expiring by year (excluding early lease terminations).

At our Courbevoie property, which was refinanced in March 2019, Smart & Co leases 43,481 square feet of GLA, expires on September 30, 2019. The REIT anticipates completing improvement works on this vacated surface and on common areas of the building to maximise letting values. These improvements will be partially financed by the departing tenant, in line with the lease terms.

New leases

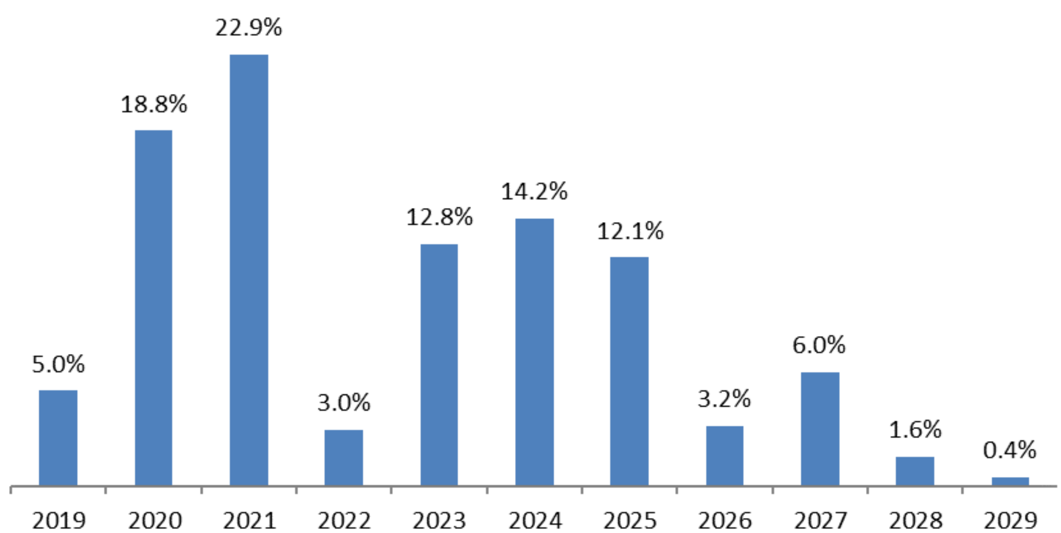
- At the Baldi property, William Grant & Sons have renewed its lease on 18,417 square feet of GLA on a nine-year fixed lease, effective June 1, 2019, thus ensuring an 80.9% weighted occupancy rate. Building improvements works are in progress and, when completed, are expected to drive potential tenant interest in the vacant space.
- At the Jeuneurs property, in mid-July, an agreement was signed with the current single tenant to extend the in-place lease by two years and eight months to August 31, 2023, thus comforting a 100% weighted occupancy rate.
- At the Sablière property, a new lease was signed in June 2019, effective September 1, 2019 for the remaining 6% of surface area currently vacant, bringing the occupation level to 100%.

Lease Maturity Profile as at June 30, 2019
(% of total GLA)



Including the JV Properties, the average remaining lease term is 3.7 years (not including tenant early termination rights) and 3.4 years including early termination rights. The following graph presents the percentage of total GLA expiring in the Property Portfolio by year (excluding early lease terminations).

Lease Maturity Profile as at June 30, 2019
Entire portfolio including joint ventures
(% of total GLA)



CONSOLIDATED FINANCIAL INFORMATION

Consolidated Statements of Earnings

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

	Three months ended June 30		Six months ended June 30	
(in thousands of CAD$)	**2019**	**2018**	**2019**	**2018**
Rental income	6,593	6,539	12,636	13,253
Service charge income	2,162	1,957	4,595	4,103
Service charge expenses	(1,847)	(1,721)	(7,360)	(6,893)
Other revenues	-	180	-	424
Other property operating expenses	(184)	(73)	(242)	(163)
Net rental earnings	6,724	6,882	9,629	10,724
Administration expenses	(1,627)	(1,510)	(3,399)	(3,047)
Foreign exchange gain	(29)	29	-	84
Net change in fair value of investment properties	(1,577)	(587)	743	1,338
Gain/(Loss) on disposal of investment properties	42	-	(56)	-
Share of net earnings from joint ventures	(369)	3,597	544	1,574
Operating earnings	3,164	8,411	7,461	10,673
Net change in fair value of financial derivatives	(707)	45	(1,628)	1,821
Finance income	2,131	2,098	4,147	4,103
Finance costs	(2,652)	(2,830)	(5,314)	(5,222)
Distributions on Exchangeable securities	(178)	(286)	(355)	(554)
Net change in fair value of Exchangeable securities	319	(48)	(330)	66
Net change in fair value of Promissory Notes	1,183	(1,284)	(2,137)	(1,475)
Earnings before income taxes	3,260	6,106	1,844	9,412
Current income tax expense	(78)	105	(127)	(14)
Deferred income tax expense	58	(242)	(379)	(5,320)
Earnings for the period	**3,240**	**5,969**	**1,338**	**4,078**
Non-controlling interest	39	(1)	7	1
Earnings for the period (part attributable to the Trust)	**3,201**	**5,970**	**1,331**	**4,077**

DISCUSSION OF STATEMENT OF CONSOLIDATED EARNINGS

Certain figures presented for the three-month and six-month periods ended June 30, 2018 have been restated, when appropriate, in order to ensure comparability with the amounts presented for the three-month and six-month periods ended June 30, 2019:

- Part of the change in fair value of Promissory notes is reclassified from "Change in cumulative translation adjustment account" to "Net change in fair value of Promissory notes" for an amount of CAD$(401) as at June 30, 2018;

- The adjustment of the acquisition loan interest at 14% due to the recognition of the call option derivative decrease "Finance income" for an amount of CAD$(1,565) and increase "Net change in fair value of financial derivatives" for an amount of CAD$2,983 as at June 30, 2018;

Some of the prior period's data have been reclassified to conform to the presentation adopted in the current period:

- The share profit of the Arcueil joint-venture is reclassified from "Finance costs" to "Share of net earnings from joint ventures" for an amount of CAD$2,858 for the three months ended June 30, 2018;

- Distributions in respect of exchangeable securities paid in cash are reclassified from "Financing activities" to "Operating activities" in the cash-flows statements.

Net rental earnings

Net rental income for the three months ended June 30, 2019 ("Q2 2019") was CAD$6,724 compared to CAD$6,882 for the three months ended June 30, 2018 ("Q2 2018").

In accordance with IFRIC 21, the annual property taxes for our properties located in France are expensed in full in the first quarter our fiscal year. These taxes are paid in the fourth quarter. In accordance with IFRIC 21, realty taxes expenses for the year are CAD$3.6 million. These taxes are fully accounted for in Q1. 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 Q2 2019 and Q2 2018 is set out below.

	CAD		EUR	
	Q2 2019	**Q2 2018**	**Q2 2019**	**Q2 2018**
Net rental income	6,724	6,882	4,468	4,465
IFRIC 21 impact	867	876	571	558
Adjusted net rental income - IFRIC 21	5,857	6,006	3,897	3,907

Excluding FX impact, the Q2 2019 net rental income earnings are in line with Q2 2018 earnings. The impact of the departure of ADEME from the Vanves property and the sale of Hanover were offset by the contribution from the Trio property.

For the six-month period the decrease in net rental income was primarily due to the sale of the Hanover property in January 2019 only compensated by the income of the newly acquired Trio property from the end of March 2019.

	CAD		EUR	
	YTD Q2 2019	**YTD Q2 2018**	**YTD Q2 2019**	**YTD Q2 2018**
Net rental income	9,628	10,724	6,392	6,937
IFRIC 21 impact	(1,741)	(1,726)	(1,156)	(1,116)
Adjusted net rental income - IFRIC 21	11,369	12,450	7,548	8,053

Administration expenses

Administration expenses are comprised of asset management fees paid to Inovalis SA and other general administrative expenses such as trustee fees, directors' and officers' liability insurance, professional fees (including accounting fees), legal fees, filing fees and Unitholder related expenses.

Administration expenses for the quarter ended June 30, 2019 amounted to CAD$1,627 were consistent with Q2 2018. However, asset management fees were CAD$174 lower, which was offset by approximately CAD$300 of non-recurring costs associated with reorganization of the REIT's finance function.

Administration expenses for the six-month period ended June 30, 2019 amounted to CAD$3,399, an increase of CAD$352 compared to Q2 2018. Asset management fees were CAD$510 lower, which was offset by approximately CAD$880 of non-recurring costs associated with accounting services, internal controls over financial reporting matters.

Net change in fair value of investment properties

The net change in fair value of investment properties for the quarter relates principally to a decrease of (CAD$600) portfolio valuation in Q2 2019 as per external valuations as at June 30, 2019 and the impact of the IFRIC 21 (CAD$900).

The net change in fair value of investment properties for the year to date relates principally to a decrease of (CAD$600) portfolio valuation in Q2 2019 as per external valuations as at June 30, 2019, (CAD$400) of CAPEX completed on the portfolio and the impact of the IFRIC 21 CAD$1,741.

Pursuant to IFRIC 21, the French property tax for the entire year must be recognized in full in the first quarter of each fiscal year, even though payment is required in the fourth quarter. This results in a reduction in net rental income in the first quarter, an increase in Trade and other payables, an increase in the net change in fair value of investment properties and an increase in the carrying value of the investment properties). In the subsequent quarters, this is reversed on a proportional basis, which results in an increase of the Q2, Q3 and Q4 net rental income, and a decrease in the value of the investment properties.

Share of net income from joint ventures

Income from joint ventures year to date is mainly due to the Arcueil investment and the related derivative.

Finance income

In Q2 2019 and Q2 2018, finance income consisted of interest earned with respect to the acquisition loan granted to a subsidiary for the development of the Rueil property and loans granted to joint ventures.

Finance costs

The finance costs in Q2 2019 were CAD$2,652, versus CAD$2,830 in Q2 2018, which include CAD$1,302 related to interests on loans and finance leases, CAD$1,047 related to promissory notes and CAD$303 due to derivative interest and other financial costs.

The finance costs year to date were CAD$5,314 which include CAD$2,389 related to interests on loans and finance leases, CAD$2,084 related to promissory notes and CAD$841 due to derivative interest and other financial costs.

Distributions on Exchangeable Securities

Distributions to the holders of Exchangeable Securities are calculated in a manner to provide a return that is economically equivalent to the distributions received by the Unitholders. In Q2 2019 the distributions on Exchangeable Securities were CAD$178 compared to CAD$286 in Q2 2018 as fewer Exchangeable Securities were outstanding due to multiple conversions of Exchangeable Securities into units in Q3 2018, Q4 2018 and Q2 2019.

Net change in fair value of Exchangeable securities

The fair value of the Exchangeable Securities depends on the trading price of the REIT Units. Exchangeable Securities are considered a liability and a fair value reduction will be recognized if the market price of the REIT Units increases and a fair value increase will be recognized when the market price of the REIT Unit decreases.

Net change in fair value of Promissory Notes

The fair value of the Promissory Notes depends of the trading price of the REIT Units. Promissory Notes are accounted for as a liability on an accounting basis and a fair value reduction will be recognized if the market price of the REIT Units increases and a fair value increase will be recognized when the market price of the REIT Unit decreases.

Deferred tax expense

The deferred income tax expense (and deferred income tax liabilities) corresponds to the origination of temporary differences primarily arising from investment properties.

The governments of France and Luxembourg signed a new Double Taxation Treaty ("DTT") and accompanying protocol in 2018. The DTT was ratified by France in Q4 2018 and by Luxembourg in Q2 2019. As the DTT has received ratification from both countries, it will come into effect on January 1, 2020.

Under the existing DTT, the REIT, through its subsidiary located in Luxembourg, incurs French withholding tax at the 5% treaty rate on the dividend received from French OPCI [1]. Under the anticipated DTT, such dividend distributions would be subject to withholding tax at a rate of approximately 30%, which can be reduced to 15% under specific cases.

Management is currently implementing a structure that will allow the REIT to benefit from a reduced rate of 15% once the new DTT comes into effect. Deferred income tax liabilities are based on the reduced rate of 15% and the assumption of the distribution of 50% of the OPCIs' net profits arising from capital gains upon disposition (which results in an effective rate of 7.5%).

INVESTMENT PROPERTIES

Fair value

The fair value of the REIT's investment property portfolio as at June 30, 2019 was CAD$472,885 compared to CAD$421,937 at December 31, 2018. The increase is mainly attributable to the acquisition of the Trio property for CAD$71,497 and the net change in fair value of investment properties for CAD$ 743, offset by foreign currency translation adjustments (CAD$21,175).

Management principally uses cap-rate method to determine the fair value of the French investment properties. These values are supported by third party appraisals 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*, *European Valuation Standards of TEGoVA* (the European Group of Valuers' Association) and IFRS 13.

Building improvements

The REIT is committed to improve its operating performance by incurring appropriate capital expenditures to replace and maintain the productive capacity of its property portfolio to sustain its rental income generating potential over the portfolio's useful life.

OTHER SIGNIFICANT ASSETS

Investments accounted for using the equity method

Investments accounted for using the equity method encompasses the 50% interest the REIT (through its subsidiaries) has in the Duisburg property, the 50% interest in the Walpur (Bad Homburg) property, the 50% interest in the Arrow (Neu-Isenburg) property, 50% in the Stuttgart property and 50% in the Kösching property and the 25% interest in the Arcueil property.

The REIT's investment in joint ventures accounted for using the equity method was CAD$93,710 on June 30, 2019 compared to CAD$98,703 on December 31, 2018. The decrease is mainly attributable to the exchange rate fluctuation for a total impact of CAD$4,721.

Acquisition loan

As at June 30, 2019, acquisition loan of CAD$24,928 consists of loan granted in Euro to a subsidiary for the development of the Rueil property.

[1] "INOPCI" refers to *Organisme de placement collectif en immobilier* which refers to French real estate collective investment undertakings. OPCIs are tax exempt vehicles once they distribute 50% of their net profit.

Trade and other receivables

Trade and other receivables as at June 30, 2019 amounted to CAD$8,015 compared to the CAD$4,000 at December 31, 2018. The increase, as every year, is mainly due to service charge revenue arising from property taxes recognized in accordance with IFRIC21, which amount for an additional CAD$2.1m quarter to quarter, a CAD$0.8 million provision for 2018 and the year-to-date 2019 opex settlement and CAD$1 million accounting adjustment with the senior lender, NATIXIS, related to the financing extension.

PRESENTATION OF OUR CAPITAL

Liquidity and capital resources

The REIT's primary sources of capital are cash generated from operations, credit facilities, sharing the ownership of actual assets owned entirely and equity issues. Our 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. We expect to meet all our ongoing obligations through current cash, cash flows from operations, debt refinancing and, as growth requires and when appropriate, new equity or debt issues. We can also sell portion of assets owned to access capital, but this action would be considered in the overall strategy of diversification of our portfolio.

The REIT's cash available was CAD$14,438 as at June 30, 2019 compared to CAD$19,110 as at December 31, 2018.

Financing activities

Our debt strategy is to have secured mortgage financing with a term to maturity commensurate with the profile of our portfolio and to put in place, where appropriate, interest-bearing financings. We preferably looking for fixed rate or floating rate financings with a cap. As such, 82.1% of the REIT's senior debt benefits from an interest rate protection (66.9% in the form of a swap and 15.1% in the form a cap). Management's preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. With no financial institution representing more than 19% of our senior debt commitment, we also make sure that the REIT has a diversified base of senior debt providers.

Debt-to-book value

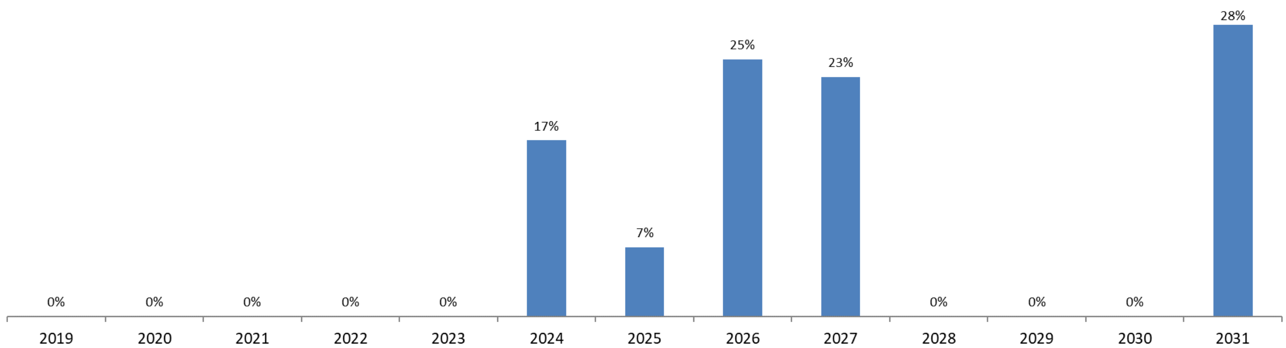
Our debt-to-book value ratio is calculated on a look-through basis and considers the REIT's apportioned amount of indebtedness at the partnership level. Indebtedness at the REIT level, as well as at the different partnership levels is calculated as the sum of (i) finance lease liabilities, (ii) mortgage loans, (iii) lease equalization loans, (iv) other long-term liabilities and (v) deferred tax liabilities. Indebtedness does not take into include certain liabilities as is the case for the Exchangeable securities and Promissory Notes and at the partnership level for the contribution from the REIT and its partners.

Key performance indicators in the management of our debt are summarized in the following table.

Entire portfolio incorporating interest in joint-ventures	As at June 30, 2019	As at December 31, 2018
Weighted average interest rate (1)	2.03%	2.11%
Debt-to-book value (2)	52.4%	47.7%
Debt-to-book value, net of cash (2)	51.1%	45.8%
Interest coverage ratio (3)	4.0 x	3.9 x
Debt due in next 12 months in thousand of CAD$	32,572	23,918
Weighted average term to maturity of debt (4)	5.2 years	5.1 years

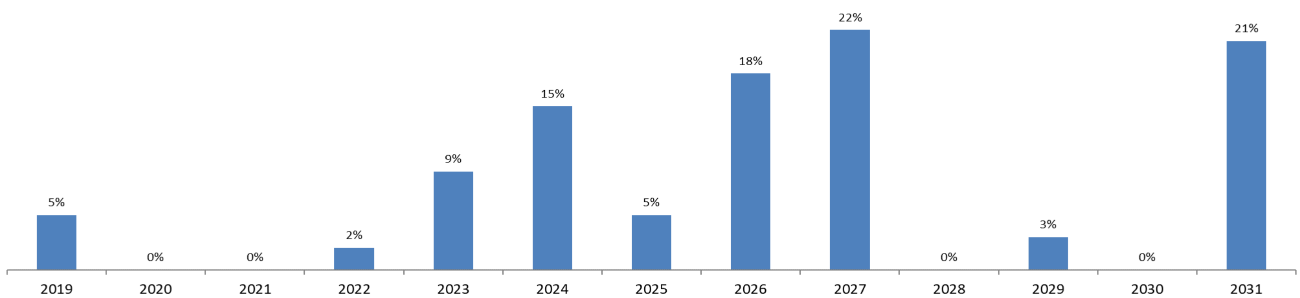
(1) Calculated as the weighted average interest rate paid on the finance leases and the mortgage financing.
(2) The definition of *debt-to-book value* and of *debt-to-book value, net of cash* can be found in the *Debt-to-book value* note above.
(3) Calculated as net rental earnings plus interest, less general and administrative expenses, divided by interest expense on the financial leases and mortgage financings.
(4) Calculated as the weighted average term on all the financial leases and mortgage financings.

Leasehold and Mortgage Financing Maturity Profile
(% of amount outstanding as at June 30, 2019)



The above table does not include the impact of the annual amortization of outstanding debt.

Leasehold and Mortgage Financing Maturity Profile
(Entire portfolio including joint-ventures)
(% of amount outstanding as at June 30, 2019)



The above table does not include the impact of the annual amortization of outstanding debt.

ANALYSIS OF DISTRIBUTED CASH

	Three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities (A)	2,100	(2,618)	3,873	9,286
Earnings before income taxes (B)	3,260	6,106	1,844	9,412
Declared distribution on Units (C)	4,880	4,694	9,740	9,378
Excess (shortfall) of cash flows from operating activities over cash distributions paid (A-C)	(2,780)	(7,312)	(5,867)	(92)
Excess (shortfall) of profit or loss over cash distributions paid (B - C)	(1,620)	1,412	(7,896)	34

Cash flows from operating activities and net income (loss) are not relied upon as measures of the REIT's ability to pay distributions.

Management believes that FFO and AFFO are important measure of our economic performance over the long term. As an alternate measure to cash flow from operations, FFO and AFFO are indicative of the REIT’s ability to generate cash flow from its properties and to pay distributions to unitholders. FFO and AFFO are non-GAAP measure which do not have a standard meaning as defined by IFRS and therefore it may not be comparable to similar measures presented by other entities.

As quantified in the FFO and AFFO calculations, the funds used to make the distributions declared on Units, exchangeable securities and promissory notes for the year ended December 31, 2018 were generated through the REIT's ongoing operations. For the three months ended June 30, 2019, distributions declared on Units, exchangeable securities and promissory notes exceeded FFO by CAD$87 and were less than AFFO by CAD$89, respectively. The minor shortfall between FFO and distributions declared on Units, Exchangeable Securities and Promissory Notes was funded through the issuance of Units under the Distribution Reinvestment Plan (CAD$690) and from cash on hand.

The REIT expects to continue paying distributions based on the current plan.

RISKS AND UNCERTAINTIES

We are exposed to various risks and uncertainties, many of which are beyond our control, the occurrence of which could materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. We believe the risk factors described in our Management Discussion and analysis for the year ended December 31, 2018 are the most material risks that we face, however they are not the only ones. Additional risk factors not presently known to us or that we currently believe are immaterial could also adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and negatively affect the value of the Units. For a discussion of the risk and uncertainties identified by the REIT, please refer to our Management Discussion and Analysis for the year ended December 31, 2018 and our Annual Information Form dated April 1, 2019, filed on the System for Electronic Document Analysis and Review ("SEDAR") (www.sedar.com).

OUTLOOK

We believe that the current market environment is favourable for the REIT to prosper. In addition to actively managing our properties, we are continuously assessing potential acquisitions in our target markets and focus on the ones offering value and stability. Our long-term credit worthy tenants, low cost of debt with staggered maturities and the foreign exchange rate contracts for our distributions in place until October 2020, not only provide predictable cash flows but serve as a basis for future growth. In addition to the cash available, we can also sell some portion of assets that we own to get access to additional cash and at the same time diversify our portfolio risk.

CRITICAL ACCOUNTING POLICIES

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 basis its judgements, estimates and assumptions on experience and other factors 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. Our 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, 2018.

A description of significant accounting policies is provided in note 3 of the consolidated financial statements as at December 31, 2018.

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. No changes were made to the REIT's DCP during the three months ended June 30, 2019. The CEO and CFO concluded that such disclosure controls and procedures were not effective as at December 31, 2018 as a result of material weaknesses in the REIT's internal control over financial reporting, as further described below.

Notwithstanding the material weaknesses identified, the REIT has concluded that the financial statements, as at June 30, 2019, are fairly represented in all material respects, in accordance with IFRS.

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. No changes were made to the REIT's ICFR during the three months ended June 30, 2019. The CEO and CFO determined that, as at December 31, 2018, the REIT's ICFR were not effective as a result of the identification of material weaknesses pertaining to the design and operational effectiveness of ICFR. The material weaknesses in risk assessment, control activities, information and communication, and monitoring activities contributed to the following:

- Non-performance of a fraud risk assessment and resulting mitigation program;
- Incomplete design and assessment of business process controls and information technology general controls;
- Failure to record significant transactions on a timely basis;
- Ineffective accounting policies related to acquisitions, new accounting pronouncements; (ex. IFRS 9), and complex financial instruments;
- Improper accounting treatment for significant contracts;
- Incomplete reconciliation processes; and
- Inadequate evidence of review and approval over source documentation.

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, 2019, are fairly represented in all material respects, in accordance with IFRS.

Remediation Plans and Actions Undertaken

A remediation plan and actions to resolve the aforementioned DCP & ICFR material weaknesses have been communicated to the Audit Committee by the CEO and CFO. The Board, with direction by the Audit Committee, will continue to review progress on the remediation activities determined on a regular and ongoing basis. The remediation plan and actions include, but are not limited to, the following:

- In June 2019, the REIT engaged an independent consulting firm to identify and articulate opportunities to improve the efficiency and effectiveness of the financial close, consolidate and reporting ("CCR") processes. The recommendation memo is expected early September 2019.

- The ongoing evaluation and assessment of the Trust's ICFR Program by the independent accounting firm throughout Fiscal 2019 will be monitored and evaluated by the CEO, CFO and the Audit Committee. Any additional control deficiencies identified as part of this process will be evaluated and actioned-upon by Management, as required.

No assurance can be provided at this time that the actions and remedial efforts determined will effectively remediate the material weaknesses described above or prevent the occurrence of further material weaknesses in ICFR due to the inherent limitations noted below. The material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

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.

SELECTED FINANCIAL INFORMATION

	For the year ended December 31,		
(in thousands of CAD$)	**2018**	**2017**	**2016**
Revenue (excluding finance income)	33,486	32,688	31,120
Revenue (including finance income)	41,261	39,506	35,464
Earnings attributable to Unitholders	22,152	19,167	23,284
Earnings	22,296	19,364	23,405
Assets	622,932	576,709	510,125
Non-current liabilities	223,947	255,441	219,573
Distributions per unit	$ 0.825	$ 0.825	$ 0.825

NON-GAAP FINANCIAL MEASURES

This following presentation incorporates the REIT's proportionate share of income and expenses from investments in joint ventures. Please refer to "Non-GAAP reconciliation".

	For the three months ended		For the six months ended	
(in thousands of CAD$)	2019	2018	2019	2018
Rental income	9,794	9,831	19,053	19,548
Service charge income	3,025	2,897	6,248	5,856
Service charge expenses	(2,659)	(2,559)	(9,560)	(9,236)
Other revenues	4	226	34	233
Other property operating expenses	(227)	(80)	(311)	(171)
Net rental earnings	**9,937**	**10,315**	**15,464**	**16,230**
Administration expenses	(2,120)	(2,005)	(4,426)	(3,982)
Foreign exchange gain (loss)	(29)	29	-	84
Net change in fair value of investment properties	(1,689)	(778)	1,113	2,092
Gain/(Loss) on disposal of investment properties	42	-	(58)	-
Acquisition costs	-	-	-	452
Operating earnings	**6,141**	**7,561**	**12,093**	**14,876**
Gain (loss) on financial instruments at fair value through P&L	(702)	25	(1,647)	1,797
Finance income	823	721	1,508	1,430
Finance costs (1)	(3,546)	(3,141)	(6,693)	(6,312)
Additionnal income (loss) from Arcueil's JV (2)	(728)	2,093	(434)	88
Distributions on Exchangeable securities	(178)	(286)	(355)	(554)
Net change in fair value of Exchangeable securities	319	(48)	(330)	66
Net change in fair value of Promissory notes	1,183	(1,284)	(2,137)	(1,475)
Earnings before income taxes	**3,312**	**5,641**	**2,005**	**9,916**
Current income tax expense	(69)	54	(138)	(94)
Deferred income tax expense	(3)	274	(529)	(5,744)
Earnings for the period	**3,240**	**5,969**	**1,338**	**4,078**
Non-controlling interest	39	(1)	7	1
Earnings for the period (part attributable to the Trust)	**3,201**	**5,970**	**1,331**	**4,077**

(1) Includes the REIT's share of the hedging cost of Arcueil's partner.
(2) Reflects the income (loss) in reference to the REIT's 75% interest in the net profit of the Arcueil JV.

LAST 24 MONTHS – KEY FINANCIAL INFORMATION

The information provided in the table below includes our proportionate share of income from investments in joint ventures. Refer to "Non-GAAP section" for reconciliation to our condensed interim consolidated financial statements.

	Three month period ended							
(in thousands of CAD$)	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017
Rental revenue	6,593	6,043	6,039	6,142	6,539	6,714	6,381	6,323
Rental revenue - Total Portfolio	***9,794***	***9,259***	***9,581***	***9,386***	***9,830***	***9,718***	***8,977***	***8,659***
Net rental income	6,724	2,904	6,136	6,668	6,882	3,842	7,411	6,729
Net rental income - Total Portfolio	***9,937***	***5,527***	***9,246***	***10,013***	***10,314***	***5,915***	***9,891***	***9,012***
Net income (loss) for the period	3,260	(1,902)	16,723	2,512	5,969	(1,891)	13,785	2,220

NON-GAAP RECONCILIATION

Investments in joint ventures

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 condensed interim consolidated financial statements, are presented below using the proportionate consolidation method (with the exception of Arcueil), which is a non-GAAP measure. 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.

For the Arcueil joint venture, the consolidation presentation reflects a 25% proportionate share of results which aligns with the REIT 25% ownership interest. Per the joint venture agreement, and as reflected in the condensed interim consolidated financial statements, the REIT is entitled to receive a 75% share of the net profit. A line entitled "additional gain or loss from Arcueil joint venture" in the consolidated statement of earnings reconciliation to condensed interim consolidated financial statements bridges both presentations. A reconciliation of the financial position and results of operations to the balance sheets and consolidated statements of earnings is included in the tables shown in the Non-GAAP Reconciliation section.

For the three-month and six-month periods ended June 30, 2019, the proportional financial results include the following proportion of the revenues and expenses of each one of the joint ventures: 50% respectively for Duisburg, Walpur (Bad Homburg), Stuttgart, Pantin, Arrow (Neu-Isenburg) and Kösching and 25% for Arcueil.

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")

FFO and AFFO are non-IFRS performance measures that are widely used by the real estate industry in evaluating the operating performance of real estate entities. The REIT's determination of FFO and AFFO follows the definition prescribed by the Real Estate Property Association of Canada (''REALPAC'') White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS dated February 2019 and as subsequently amended (''White Paper'').

The 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 stapled unitholders. The 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 stapled unitholders after considering costs associated with sustaining operating earnings.

FFO and AFFO calculations are reconciled to net income, which is the most directly comparable IFRS measure. FFO and AFFO 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 earnings in accordance with IFRS, subject to certain adjustments including adjustments for: (i) acquisition costs, (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) changes in fair value of Exchangeable Securities and Private Placement Promissory Note, (v) distribution on Exchangeable Securities and Promissory Notes (vi) adjustment for property taxes accounted for under IFRIC 21 (if any), (vii) loss on exercise of lease option, (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation, (ix) gain on disposal of an interest in a subsidiary and the non-cash portion of earnings from investments accounted for using the equity method, (x) finance income earned from loans to joint-ventures, (xi) loss on refinancing of debts and other non-recurring finance costs, (xii) deferred taxes and (xiii) gains or losses from non-recurring items, (xiv) additional non-recurring income (loss) from JVs, (xv) minority interest. It has also been adjusted to exclude the distributions declared on Exchangeable Securities and finance costs associated with Promissory Notes. These distributions are recognized in profit and loss consistent with the classification of the Exchangeable Securities as a liability. However, they are not to be considered when determining distributions for the Unitholders as indeed they are subordinated to the distributions to the Unitholders.

Exchangeable securities and Private placement promissory note are recorded as liability. Exchangeable securities are recorded at fair value through profit and loss in accordance with IFRS and Private Placement Promissory Note is recorded at fair value. 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. However, both are considered as equity for the purposes of calculating FFO and AFFO

Other non-recurring finance costs corresponds mainly to the foreign exchange hedge maintained on the Arcueil property in line with the Arcueil JV agreement.

Additional non-recurring income (loss) from JV's is related to the Arcueil JV. As per the JV agreement the REIT, upon asset disposal, is entitled to receive 75% of the variance of fair value of investment properties, reduced by 100% of foreign exchange derivative costs.

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 lease equalization loans (iii) amortization of fair value adjustment on assumed debt, (iv) the non-cash portion of the asset management fees paid in Exchangeable securities, (v) capital expenditures, (vi) amortization of transaction costs on mortgage loans.

FFO and AFFO should not be construed as alternatives to net earnings or cash flow from operating activities, determined in accordance with IFRS, as indicators of our performance. Our method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by them.

Management believes FFO is an important measure of our operating performance and is indicative of our ability to pay distributions. However, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Inovalis REIT's needs. This non-IFRS measurement is commonly used for assessing real estate performance.

2019 FFO and AFFO was impacted by the sale of the Hanover in January and the delay of deploying the capital. In comparison to Q2 2018 FFO and AFFO, Q2 2019 is lower due to the significant gain in the fair value of REIT's profit participation in the development of the Rueil property, recorded in Q2 2018.

FFO and AFFO

(in thousands of CAD$)	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Earnings for the period	3,201	5,970	1,331	4,077
Add/(Deduct):				
Adjustment to related acquisition costs	-	(452)	-	(452)
Net change in fair value of investment properties	1,689	778	(1,113)	(2,092)
(Gain) loss on financial instruments at fair value through profit and loss	2,029	5,715	2,975	1,186
Net change in fair value of derivative on acquisition loan	(664)	(2,758)	(664)	-
(Gain)/Loss on disposal of investment properties	(42)	-	56	-
Adjustment for property taxes accounted for under IFRIC 21	(1,039)	(1,063)	2,087	2,094
Additional income (loss from Arcueil's JV)	728	(2,093)	434	(88)
Interest on promissory notes	1,047	958	2,084	1,536
Distributions on Exchangeable securities	178	286	355	554
Change in fair value of Exchangeable securities	(319)	48	330	(66)
Change in fair value of Promissory Notes	(1,183)	1,284	2,137	1,475
Foreign exchange (loss) gain	29	(29)	-	(84)
Other non-recurring finance costs	321	(205)	321	50
Deferred income tax expense	4	(274)	529	5,743
Minority interest	39	(1)	7	1
FFO	**6,018**	**8,164**	**10,869**	**13,934**
Add/(Deduct):				
Non-cash effect of straight line rents	237	320	412	650
Cash effect of the lease equalization loans	(283)	(298)	(568)	(597)
Amortization of transaction costs on mortgage loans	81	74	148	149
Non-cash part of asset management fees paid in Exchangeable securities	395	487	793	1,043
Capex net of cash subsidy	(254)	(700)	(400)	(1,675)
	-	-	-	-
AFFO	**6,194**	**8,047**	**11,254**	**13,504**
FFO / Units (diluted) (in CAD$) (4)	**0.21**	**0.30**	**0.38**	**0.49**
AFFO / Units (diluted) (in CAD$) (4)	**0.21**	**0.30**	**0.39**	**0.48**

(1) For purposes of this presentation, 50% of the asset management fee is included in the AFFO reconciliation. 50% of the asset management fees for were paid in Exchangeable securities.

Balance sheet reconciliation to consolidated financial statements

Assets	As at June 30, 2019 As per REIT's financial statements (1)	Share from investments in joint-ventures	Proportionate Consolidation	As at December 31, 2018 As per REIT's financial statements (1)	Share from investments in joint-ventures	Proportionate Consolidation
Non-current assets						
Investment properties	472,885	198,248	**671,133**	421,937	207,752	**629,689**
Investments accounted for using the equity method	93,710	(93,710)	-	98,703	(98,703)	-
Acquisition loans	24,928	-	**24,928**	25,719	-	**25,719**
Derivative financial instruments	661	0	**661**	306	28	**334**
Restricted cash	5,485	-	**5,485**	1,644	280	**1,924**
Total non-current assets	597,669	104,538	**702,207**	548,309	109,357	**657,666**
Current assets						
Trade and other financial assets	8,015	1,305	**9,320**	4,000	1,126	**5,126**
Derivative financial instruments	1,591	19	**1,610**	64	20	**84**
Call option related to the acquisition loan	7,084	-	**7,084**	6,750	-	**6,750**
Other current assets	2,110	1,329	**3,439**	1,080	1,166	**2,246**
Cash and cash equivalents	14,438	5,949	**20,387**	19,110	6,444	**25,554**
Total current assets	33,238	8,602	**41,840**	31,004	8,756	**39,760**
Assets classified as held for sale				40,027		**40,027**
Total assets	630,907	113,140	**744,047**	619,340	118,113	**737,453**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	484	-	**484**	-	-	-
Mortgage loans	135,773	55,128	**190,901**	83,391	76,850	**160,241**
Finance lease liabilities	122,166	26,424	**148,590**	120,547	28,442	**148,989**
Other long-term liabilities	-	924	**924**	-	638	**638**
Lease equalization loans	1,474	-	**1,474**	2,130	-	**2,130**
Tenant deposits	1,838	119	**1,957**	2,180	134	**2,314**
Exchangeable securities	2,526	-	**2,526**	4,779	-	**4,779**
Derivative financial instruments	3,650	112	**3,762**	1,396	107	**1,503**
Deferred tax liabilities	8,400	7,084	**15,484**	8,428	7,274	**15,702**
Deferred income	-	-	-	1,099	-	**1,099**
Total non-current liabilities	276,311	89,791	**366,102**	223,950	113,445	**337,395**
Current liabilities						
Promissory Notes	44,898	-	**44,898**	42,471	-	**42,471**
Mortgage loans	4,356	18,374	**22,730**	14,588	35	**14,623**
Finance lease liabilities	8,546	1,296	**9,842**	6,637	1,313	**7,950**
Lease equalization loans	1,121	-	**1,121**	1,185	-	**1,185**
Tenant deposits	799	23	**822**	687	23	**710**
Exchangeable securities	5,727	-	**5,727**	3,203	-	**3,203**
Derivative financial instruments	1,402	1	**1,403**	1,207	-	**1,207**
Trade and other payables	12,627	3,459	**16,086**	7,145	3,042	**10,187**
Deferred income	3,134	196	**3,330**	4,394	255	**4,649**
Total current liabilities	82,610	23,349	**105,959**	81,517	4,668	**86,185**
Liabilities directly associated with assets classified as held for sale	-	-	-	21,792	-	**21,792**
Total liabilities	358,921	113,140	**472,061**	327,259	118,113	**445,372**
Equity						
Trust units	209,599	-	**209,599**	207,442	-	**207,442**
Retained earnings	39,565	-	**39,565**	47,974	-	**47,974**
Accumulated other comprehensive income	21,670	-	**21,670**	36,146	-	**36,146**
	270,834	-	**270,834**	291,562	-	**291,562**
Non-controlling interest	1,152	-	**1,152**	519	-	**519**
Total liabilities and equity	630,907	113,140	**744,047**	619,340	118,113	**737,453**

(1) Balance sheet amounts presented for the REIT were taken from the interim consolidated financial statements as at June 30, 2019 and from the audited consolidated financial statements as at December 31, 2018.

Consolidated statement of earnings reconciliation to consolidated financial statements

	For the three months ended		For the six months ended	
(in thousands of CAD$)	**2019**	**2018**	**2019**	**2018**
Rental income	9,794	9,831	19,053	19,548
Service charge income	3,025	2,897	6,248	5,856
Service charge expenses	(2,659)	(2,559)	(9,560)	(9,236)
Other revenues	4	226	34	233
Other property operating expenses	(227)	(80)	(311)	(171)
Net rental earnings	**9,937**	**10,315**	**15,464**	**16,230**
Administration expenses	(2,120)	(2,005)	(4,426)	(3,982)
Foreign exchange gain (loss)	(29)	29	-	84
Net change in fair value of investment properties	(1,689)	(778)	1,113	2,092
Gain/(Loss) on disposal of investment properties	42	-	(58)	-
Acquisition costs	-	-	-	452
Operating earnings	**6,141**	**7,561**	**12,093**	**14,876**
Gain (loss) on financial instruments at fair value through P&L	(702)	25	(1,647)	1,797
Finance income	823	721	1,508	1,430
Finance costs	(3,546)	(3,141)	(6,693)	(6,312)
Additionnal income (loss) from Arcueil's JV	(728)	2,093	(434)	88
Distributions on Exchangeable securities	(178)	(286)	(355)	(554)
Net change in fair value of Exchangeable securities	319	(48)	(330)	66
Net change in fair value of Promissory notes	1,183	(1,284)	(2,137)	(1,475)
Earnings before income taxes	**3,312**	**5,641**	**2,005**	**9,916**
Current income tax expense	(69)	54	(138)	(94)
Deferred income tax expense	(3)	274	(529)	(5,744)
Earnings for the period	**3,240**	**5,969**	**1,338**	**4,078**
Non-controlling interest	39	(1)	7	1
Earnings for the period (part attributable to the Trust)	**3,201**	**5,970**	**1,331**	**4,077**

(1) Income statement amounts presented for the REIT were taken from the interim consolidated financial statements as at June 30, 2019 and June 30, 2018.

Consolidated statement of earnings reconciliation to consolidated financial statements - Continued

	For the six months ended					
	June 30, 2019			June 30, 2018		
(in thousands of CAD$)	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures	Total	Amounts per REIT's financial statements (1)	Share of earnings from investments in joint ventures	Total
Rental income	12,636	6,417	**19,053**	13,253	6,295	**19,548**
Service charge income	4,595	1,653	**6,248**	4,103	1,753	**5,856**
Service charge expenses	(7,360)	(2,200)	**(9,560)**	(6,893)	(2,343)	**(9,236)**
Other revenues	-	34	**34**	424	(191)	**233**
Other property operating expenses	(242)	(69)	**(311)**	(163)	(8)	**(171)**
Net rental earnings	**9,629**	**5,835**	**15,464**	**10,724**	**5,506**	**16,230**
Administration expenses	(3,399)	(1,027)	**(4,426)**	(3,047)	(935)	**(3,982)**
Foreign exchange gain	-	-	-	84	-	**84**
Net change in fair value of investment properties	743	370	**1,113**	1,338	754	**2,092**
Gain/(Loss) on disposal of investment properties	(56)	(2)	**(58)**	-	-	**0**
Acquisition costs	-	-	-	-	452	**452**
Share of profit of an investment (equity method)	544	(544)	-	1,574	(1,574)	**0**
Operating earnings	**7,461**	**4,632**	**12,093**	**10,673**	**4,203**	**14,876**
Gain (loss) on financial instruments at fair value through P&L	(1,628)	(19)	**(1,647)**	1,821	(24)	**1,797**
Finance income	4,147	(2,639)	**1,508**	4,103	(2,673)	**1,430**
Finance costs	(5,314)	(1,379)	**(6,693)**	(5,222)	(1,090)	**(6,312)**
Additionnal income (loss) from Arcueil's JV	-	(434)	**(434)**	-	88	**88**
Distributions on Exchangeable securities	(355)	-	**(355)**	(554)	-	**(554)**
Net change in fair value of Exchangeable securities	(330)	-	**(330)**	66	-	**66**
Net change in fair value of Promissory notes	(2,137)	-	**(2,137)**	(1,475)	-	**(1,475)**
Earnings before income taxes	**1,844**	**161**	**2,005**	**9,412**	**504**	**9,916**
Current income tax expense	(127)	(11)	**(138)**	(14)	(80)	**(94)**
Deferred income tax expense	(379)	(150)	**(529)**	(5,320)	(424)	**(5,744)**
Earnings for the period	**1,338**	**-**	**1,338**	**4,078**	**-**	**4,078**
Non-controlling interest	7	-	7	1	-	1
Earnings for the period (part attributable to the Trust)	**1,331**	**-**	**1,331**	**4,077**	**-**	**4,077**

Equity

Our discussion about equity is inclusive of Exchangeable Securities and Private Placement Promissory Note which are economically equivalent to the REIT's Units. In our condensed interim consolidated financial statements, the Exchangeable securities are classified as a combination of current and non-current liabilities under GAAP because of the conversion feature that can be exercised by the holder of those securities.

As at June 30, 2019 the REIT has 23,743,618 Units issued and outstanding.

	Three month period ended June 30, 2019	Six month period ended June 30, 2019
Units		
Number at beginning of period	23,583,406	23,513,652
Increase/(Decrease) in number during the period	90,500	90,500
Units issued pursuant to the DRIP	69,712	139,466
Number at end of period	23,743,618	23,743,618
Weighted average number during the period	23,628,864	23,582,301
Exchangeable securities		
Number at beginning of period	882,169	844,673
Increase in number during the period	(56,034)	(18,538)
Number at end of period	826,135	826,135
Weighted average number during the period	859,041	851,857
Promissory notes		
Number at beginning of period	4,494,301	4,494,301
Number at end of period	4,494,301	4,494,301
Weighted average number during the period	4,494,301	4,494,301
Units, Exchangeable securities and Promissory notes		
Number at beginning of period	28,959,876	28,852,626
Increase/(Decrease) in number during the period	104,178	211,428
Number at end of period	29,064,054	29,064,054
Weighted average number during the period	28,982,206	28,928,459

69,712 Units were issued pursuant to the Distribution Reinvestment Plan ("DRIP") in Q2 2019. As at June 30, 2019, 14.7% of the Units were enrolled in the DRIP.

Distribution and management of foreign exchange risk

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interests of the REIT. Given that the level of working capital tends to fluctuate over time and should not affect our distribution policy, we do not consider it when determining our distributions.

Contracts Maturing by Quarter	Hedge Value (EUR)	Weighted average hedging rate
Q3 2019	2,400,448	1.625
Q4 2019	2,387,176	1.634
Q1 2020	2,373,135	1.643
Q2 2020	2,360,637	1.652
Q3 2020	2,348,270	1.661
Q4 2020	780,312	1.666
	12,649,978	

To mitigate risk of foreign exchange fluctuations on the distributions to our Unitholders, we have established an active foreign exchange hedging program. As at June 30, 2019, the REIT was committed to sell EUR791 (on average) at an average rate of 1.643 and to receive CAD$1,300 on a monthly basis until October 2020 (included).

Monthly distributions to Unitholders have been CAD$0.06875 per Unit, or CAD$0.825 per Unit on an annual basis.

Subsequent Events

Subsequent to quarter end, at Jeuneurs property, an agreement was signed with the current single tenant to extend the in-place lease by 2 years and 8 months until August 31, 2023.

On July 25, 2019, the forward sale agreement for the underlying asset relating to the "Rueil development loan" was signed. The economics of this exchange agreement confirm the budgetary assumptions applied by Management in valuing the profit participation component of the loan since 2018 and allow Management to anticipate future (2020) fund inflows following the reimbursement of the loan, as per the initial loan plan.

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