INOVALIS

REAL ESTATE INVESTMENT TRUST

FOR IMMEDIATE RELEASE

INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2022, ADJUSTS YEARLY DISTRIBUTION TO $0.4125, SUSPENDS THE DISTRIBUTION REINVESTMENT PLAN AND REFILES THE 2021 AUDITED ANNUAL FINANCIAL STATEMENTS, 2021 MD&A, 2021 ANNUAL INFORMATION FORM AND Q1 2022 UNAUDITED FINANCIAL STATEMENTS AND MD&A.

Toronto, Ontario, August 15, 2022 – Inovalis Real Estate Investment Trust (the "REIT") (TSX: INO.UN) today reported strong financial results for the quarter ended June 30, 2022. The Consolidated Financial Statements and Management's Discussion and Analysis ("MD&A") for Q2 2022 are available on the REIT's website at www.inovalisreit.com and at www.sedar.com[1]. All amounts are presented in thousands of Canadian dollars or Euros, except rental rates, square footage, per unit amounts or as otherwise stated.

"*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*", said Stéphane Amine, President of the REIT. He further commented *"As we face persistant stock market volatility and believe in our core + strategy to drive FFO results and NAV growth, we are reducing the rate of distributions to an annual $0.4125 and suspending the distribution reinvestment plan, while we allow for lease terminations to continue as part of our asset recycling strategy ." Mr. Amine also explained that "the REIT is reclassifying $24m of senior debt as short term in the Q4 2021 and the Q1 2022 financial results to adjust for non-compliance with certain banking covenants arising from the strategic reduction in occupancy and the planned repositioning of these assets and their financing. This revised disclosure is being made for the sole purpose of satisfying IFRS reporting requirements and has no effect on the REIT's results or cashflows."*

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).

1 This press release contains certain Non-GAAP and other financial measures. Refer to "Non-GAAP Financial Measures and Other Financial Measures" in this press release for a complete list of these measures and their meaning.

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 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 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 3.9 years for the Total Portfolio (4.2 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

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 expendure 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.

ABOUT INOVALIS REAL ESTATE INVESTMENT TRUST

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. The REIT has been created for the purpose of acquiring and owning office properties primarily located in France and Germany but also opportunistically in other European countries where assets meet the REIT's investment criteria.

FORWARD-LOOKING INFORMATION

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) the success of the asset recycling program;

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

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

vi) 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;

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

viii) 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;

ix) capital markets will provide the REIT with readily available access to equity and/or debt financing; and

x) the impact the COVID-19 pandemic and geopolitical conflict in the Ukraine and Russia 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 press release 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 REIT's ability to execute its asset recycling program;
- 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 as well as 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 Factors and Uncertainties'' in the REIT's Annual Information Form.

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.

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 press release 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 press release. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this press release. 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 press release are qualified by these cautionary statements.

NON-GAAP FINANCIAL MEASURES AND OTHER MEASURES

Information in this press release is a select summary of results. There are financial measures included in this press release 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. The REIT has adopted the guidance under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* for the purpose of this press release. These measures and ratios are defined below:

"**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 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, excluding those funded by a dedicated cash reserve or capex financing, and (vi) 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.

"**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 REALPAC's 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 quarters 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, (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 and private placement promissory notes in 2020, (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, (ix) gain or loss on disposal of investment properties or an interest in a subsidiary, (x) finance income earned from loans to joint ventures (if any), (xi) loss on extinguishment of loans, (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 are recorded as liabilities. Exchangeable securities 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).

“**Investment Property Portfolio**” or “**IP Portfolio**” refers to the six 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 six properties referred to as the Investment Property Portfolio and the six properties of the REIT held in joint-ownership with other parties.

“**Units**” means the issued and outstanding units in the capital of the REIT.

“**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.

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	(11)	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).

This press release should be read in conjunction with the REIT's Management Discussion and Analysis ("MD&A") and the consolidated statement of financial position and the accompanying notes for the quarters ended June 30, 2022 and 2021, the restated 2021 audited financial statements, MD&A and Annual Information Form and the restated Q1 2022 financial statements and MD&A.

SOURCE Inovalis Real Estate Investment Trust

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