PRESS RELEASE

INOVALIS REAL ESTATE INVESTMENT TRUST ANNOUNCES FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED DECEMBER 31, 2022 AND RIGHTS PLAN

Toronto, Ontario, March 29, 2023– Inovalis Real Estate Investment Trust (the "REIT") (TSX: INO.UN) today reported strong financial results for the year ended December 31, 2022. The Consolidated Financial Statements and Management's Discussion and Analysis ("MD&A") for Q4 2022 and the years ending December 31, 2022 and 2021 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.

President Stephane Amine commented *"The European office real estate market in 2023 presents opportunities for those who have the patience and vision necessary to manage through economic headwinds. Management's focus this year is to implement our property recycling strategy and partnership buyout strategy. Together they will fulfill our purpose of unlocking value in our current portfolio and strategically using that value to pursue investments that management believes have the potential to produce above-average risk-adjusted returns for our Unitholders over the medium-to-long term"*

HIGHLIGHTS

Net Rental Income

For the portfolio that includes assets owned entirely by the REIT ("IP Portfolio"), Net Rental Income ("NOI") for the three months ended December 31, 2022 ("Q4 2022"), increased slightly to CAD$6,705 (EUR€4,894) compared to CAD$5,813 (EUR€3,921) for the three months ended December 31, 2021 ("Q4 2021"). The increase in NOI came from the contribution of the new property acquisitions, Gaia and Delgado in the amount of CAD$1,083 (EUR€790) that were completed at the end of March 2022, as well as from the lease renewals in the Metropolitain and Bad Homburg properties for CAD$417 (EUR€304). These gains were partially offset by a negative CAD$441 impact from the foreign exchange rate.

In Q4 2022, Net Rental Income, adjusted for IFRIC 21[2] for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was CAD$8,064 (EUR€5,886), compared to CAD$6,849 (EUR€4,620) for Q4 2021, an increase due to the same reasons described above with respect to the IP Portfolio except for a slightly larger negative foreign exchange loss of CAD$520.

The implementation of the asset recycling program, resulted in the sale of Jeuneurs (November 2021), the sale of Courbevoie (December 2022) and the redevelopment-driven lease terminations in the Baldi and Sablière properties properties throughout 2021 and 2022.

[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.

[2] Net rental Income adjusted for IFRIC 21 is a Non-GAAP Measure. See the "Net Rental Income" section for further discussion on the composition and usefulness of this metric and as well as a quantitative reconciliation to its most directly comparable financial measure. See the section "Non-GAAP Financial Measures and Other Measures" for more information on the REIT's non-GAAP financial measures.

Leasing Operations

All of the REIT's lease contracts in France, Germany and Spain have rental indexation that offset 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, 10,000 sq. ft. of previously vacant office space were re-leased in 2022, primarily in the Metropolitain property, now 100% occupied, and in the Delizy property. In the Courbevoie property, the last voluntary lease terminations required to facilitate the sale occurred in Q4 2022 as required for the effective closing on December 19, 2022.

Daimler Trucks has renewed its lease taking 93% of the space in the Stuttgart asset for 6.5 years with a firm period of 4.6 years increasing the appraised value of this asset by 11% compared to the June 30, 2022 valuation.

Management is negotiating the refinancing of this property (maturing in May 2023) together with other German assets.

Subsequent to the year-end, approximately 85% of the 5th floor of Duisburg has been leased to a new tenant for a ten year term effective July 2023 with an option for the tenant to take the remaining 15% within two years. The CAD$5.3 million rental income over the lease term, net of the one year of free rent and capex incentives, effectively replaces the revenue from the previous tenant. As of July 2023, the building will be 97.5% occupied (99.5% upon exercise of the option).

In early November, the REIT announced that it is advancing plans to redevelop and revitalize the 335,000 sq.ft of the Arcueil asset in the southern suburbs of Paris, as the current long term sole tenant has provided notice of its departure by mid-2023. The REIT is considering alternative plans for mixed use re-development of this asset that will offer LEED certified best-in-class operational, environmental, life-safety and health and wellness systems.

As at December 31, 2022, occupancy for the REIT's IP Portfolio was 83.6% and the Total Portfolio was 86.6%. Seven of the properties are at, or close to, 100% occupancy, and excluding two properties in the asset recycling plan (Baldi and Sablière), the occupancy rate would be 91.7%. The portfolio of assets held in joint ventures ("JV Portfolio") had 94.3% occupancy at December 31, 2022. Gaia's occupancy rate of 84% understates the effective 100% rental revenue stream due to the three-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 1.2% on Total Portfolio occupancy.

In 2022, despite the mechanical decrease of WALT year-on-year and thanks to successful lease extensions, the REIT managed to maintains a constant weighted average lease term ("WALT") on the Total Portfolio of 3.0 years (vs.3.1 year in 2021). In 2023, two major leases are maturing for the main tenants of the Arcueil and Neu-Isenburg properties.

Steady interest from prospective tenants throughout 2022 underscores 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 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 still 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 of CAD$2,026 in finance income for the full year 2022, added to a CAD$1,958 realized gain on the partial sale of the forward exchange contracts.

Unitholders’ equity on December 31, 2022 was CAD$286,979 (EUR€196,478), which implies a book value per Unit at that date of CAD$8.78/Unit or CAD$8.64/Unit on a fully-diluted basis, using the Weighted Average Number of Units for the year.

Funds From Operations and Adjusted Funds From Operations

With one modification, the REIT uses non-GAAP ratios such as Funds from Operations (“FFO”) per unit and Adjusted Funds from Operations (“AFFO”) per unit as defined by the Real Estate Property Association of Canada publication on Funds From Operations & Adjusted Funds From Operations, dated January 2022. Due to the volatility of the Canadian dollar against the Euro, the REIT adjusts FFO by excluding the unrealized gain or loss on the REIT’s cash Euros which are domiciled in Canadian financial institutions.

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 the MD&A for a more detailed discussion on FFO and AFFO.

In Q4 2022, the REIT reported FFO and AFFO[1] per Unit of CAD$0.10 and CAD$0.11 respectively and for the year ending December 31, 2022, FFO and AFFO[1] per Unit of CAD$0.51 and CAD$0.47 respectively. Prior to the Board’s decision to reduce the distribution by half in August 2022, management had established the goal of reducing the annual AFFO payout ratio to <95% by the end of Q4 2022. For the fourth quarter of 2022, this ratio was 97% vs. 308.4% in Q4 2021.This will be a measure of continued focus for 2023.

Financing Activity

The REIT is financed almost exclusively with asset-level, non-recourse financing with an average term to maturity of 3.4 years for the Total Portfolio (3.7 years on the IP Portfolio).

As at December 31, 2022, the weighted average interest rate was 1.91% across the IP Portfolio and 1.93% on the Total Portfolio.

To refinance mortgage loans that are maturing in 2023 (Stuttgart, Neu-Isenburg, Walpur) and early 2024 (Kösching), and to mitigate risk in the properties, management is negotiating new senior debt, including a EUR11 million junior tranche that would contribute to future acquisitions, notably joint venture buy-backs.

Although hikes of the ECB key lending rates occurred at the end of 2022, management is confident that the REIT will continue to access financing opportunities through its banking networks in Europe leveraging the quality of its properties, lease terms and high caliber tenants.

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

Stuttgart, Germany

In August 2022, at the Stuttgart property which is held in a 50% joint venture partnership, management extended the lease with the main tenant Daimler Trucks, maintaining 93% occupancy. The new lease which is on the same financial terms (CAD$3,967;EUR€2,735 annual rent), results in a WALT for the building of 6.2 years with a firm period of 4.4 years. A total of CAD$1,305 (EUR€900) is being invested in a capital expenditure subsidy that will be partially recoverable if early lease break options are exercised. This will be shared equally between the REIT and its joint venture partner.

The long-term secured cash flows on this asset provides a refinancing opportunity of the current CAD$35,682 (EUR€24,600) bullet mortgage loan maturing in May 2023. Management is considering financing alternatives including the above-mentioned portfolio senior refinancing or refinancing the property on a stand-alone basis. As at December 31, 2022 the property was externally appraised at EUR46,000 (CAD$33,362 for the REIT's 50% share), an increase of 6% compared to the December 31, 2021 valuation, representing a loan-to-value ratio of 53.5%.

Courbevoie (Veronese), France

Upon completion of a multi-stage, complex project to terminate leases and acquire building permits, the Courbevoie property was sold to a redeveloper for total proceeds of CAD$39,386 (EUR€27,200) on December 19, 2022. The REIT paid CAD$946 (EUR€652) transaction costs, including disposition and broker fees paid to Inovalis SA, a related party of the REIT. The REIT plans to invest the net proceeds in joint venture buy-backs. The Courbevoie transaction illustrates the ability of the REIT and Inovalis SA to capture value and opportunistically sell mature assets for redevelopment.

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 investing in "human capital" for the implementation and monitoring of all ESG initiatives. A portfolio-wide ESG independent audit of all assets is ongoing with the view to formalizing ESG priorities and identify clear and measurable ESG practices and disclosures.

Management Agreement

On March 27, 2023, the REIT approved a three-year extension of the current management agreement between the REIT and Inovalis S.A. by way of an amended and restated management agreement to be effective April 1, 2023 (the

"Fifth Amended and Restated Management Agreement". In the Fifth Amended and Restated Management Agreement, the following modifications were approved:

- Term: The extension is fixed for three (3) years ending on March 31, 2026.
- Disposition Fees: Disposition fees are no longer contingent on whether the net proceeds of any sale or disposition are paid as a special distribution to Unitholders.
- Ongoing Interest: Rather than make an investment in the individual properties owned by the REIT, at all times during the term of the Agreement, Inovalis SA and any of its directors and officers, collectively shall own that number of Trust Units (including Exchangeable Securities on an "as converted basis") having an aggregate value equal to at least 10% of the equity value of the REIT (unless otherwise agreed by Inovalis S.A. and the REIT).

Rights Plan

The Board of Trustees adopted a Unitholders' rights plan (the "Rights Plan"), subject to Unitholders ratification. The Board considered a number of factors and believes that adopting the Rights Plan will protect the REIT's Unitholders from unfair, abusive or coercive take-over strategies and to ensure that all Unitholders have an equal opportunity to participate in any future take-over bid, and to receive full and fair value for their units ("Units").

The Rights Plan was not adopted by the REIT in response to any specific proposal to acquire control of the REIT and the Board of Trustees is not aware of any such proposal. Although the Rights Plan takes effect immediately, Unitholders will be asked to ratify the Rights Plan at the May 9, 2023 Annual General Meeting of Unitholders.

The Rights Plan is similar to other security holder rights plans adopted by other Canadian real estate investment trusts, income trusts and corporations.

Until the occurrence of certain specified events, the rights will trade with the Units of the REIT and certificates representing the rights will not be sent to Unitholders. The rights become exercisable only when a person (including a related party and joint actor of such person) acquires or announces its certificates reporting the rights will not be sent to Unitholders. The rights become exercisable only when a person (including a related party and joint action of such person) acquires or announces its intention to acquire twenty (20%) or more of the outstanding Units without complying with the "permitted bid" provisions of the Rights Plan. As soon as practicable thereafter, separate certificates evidencing the rights will be mailed to Unitholders. Should a non-permitted acquisition occur, each right would entitle the holder of Units (other than the acquiring person and related persons and joint actors of such acquiring person) to purchase additional Units at a fifty (50%) percent discount to the market price at the time.

The Rights Plan permits a "permitted bid", which is a take-over bid made to all Unitholders on identical terms and conditions that is open for acceptance for a period of at least 105 days. If at the end of the 105 day period at least 50% of the outstanding Units (other than those owned by the offeror and related parties and joint actors of the offeror) have been tendered under the bid, the offeror may take up and pay for the tendered Units but must extend the bid for a further 10 days to allow all Unitholders to tender to the bid.

Upon ratification by Unitholders and completion of certain other requirements, the rights referred to in the Plan will be listed on the TSX. The rights will not appear on the TSX's trading list as an entry separate from the REIT's Units. If and when the rights become separable from the Units, an application to list the securities issuable upon exercise of such rights will have to be made to the TSX. If the Plan is not ratified by Unitholders, it will be rescinded or otherwise cancelled and be of no further effect immediately after such Unitholders' meeting. If ratified by the Unitholders, the Plan shall be reconfirmed by the Unitholders at every annual meeting.

To the best of the knowledge of the REIT, no existing Unitholder currently owns greater than 20% of the outstanding Units of the REIT.

A summary of the principal terms and conditions of the Rights Plan will be set out in the REIT's Management Information Circular. A copy of the complete Unitholder Rights Plan will be filed on SEDAR. A copy of the Rights Plan and the Management Information Circular will be available under the REIT's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

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

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

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

(i) the ability to continue to receive financing on acceptable terms;
(ii) the future level of indebtedness and the REIT’s future growth potential will remain consistent with current expectations;
(iii) there will be no changes to tax laws adversely affecting the REIT’s financing capability, operations, activities, structure, or distributions;
(iv) the REIT will retain and continue to attract qualified and knowledgeable personnel as the portfolio and business grow;
(v) the impact of the current economic climate and the current global financial conditions on operations, including the REIT’s financing capability and asset value, will remain consistent with current expectations;
(vi) there will be no material changes to government and environmental regulations that could adversely affect operations;
(vii) conditions in the international and, in particular, the French, German, Spanish and other European real estate markets, including competition for acquisitions, will be consistent with past conditions;
(viii) capital markets will provide the REIT with readily available access to equity and/or debt financing, including any intensification thereof, and

(ix) the demand for the REIT's properties and global supply chains and economic activity in general.

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

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

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

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

Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Certain statements included in 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

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

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

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

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

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

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

"**AFFO Payout Ratio**" is the value of declared distributions on Units and Exchangeable Securities excluding any Participatory Distribution, divided by AFFO.

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

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

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

"Effective occupancy" means the occupancy including the vacant spaces covered by the rental guarantee.

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

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

"**Funds From Operations**" or "**FFO"** follows the definition prescribed by the Real Estate Property Association of Canada publication on Funds From Operations & Adjusted Funds From Operations, dated January 2022 with one exception.

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

As an exception, considering the significant amount of cash held in Euros in Canada and the volatility of the Canadian dollar against the Euro, the unrealized gain (loss) recognized for the three and twelve months ended December 31, 2022, and 2021, have been excluded from the FFO calculation. Finally, non-recurring administrative expenses relating to items that are not reasonably likely to occur within two years prior to, or following the disclosure, are adjusted have also been excluded from FFO.

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

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

Exchangeable Securities 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).

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

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

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

"**Investment Properties Portfolio**" or "**IP Portfolio**" refers to the eight 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 eight properties referred to as the IP Portfolio and the five properties of the REIT held in joint-ownership with other parties.

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

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

FFO and AFFO Calculation

The reconciliation of FFO and AFFO for the three and twelve-month periods ended December 31, 2022 and 2021, based on proportionate consolidation figures including REIT's interest in joint ventures (see section *Consolidated statement of earnings - Reconciliation to consolidated financial statements*), is as follows:

	Three months ended December 31,		Year ended ended December 31,	
(in thousands of CAD$)	**2022**	**2021**	**2022**	**2021**
Net (loss) income attributable to the Trust **(including share of net earnings from investments in joint ventures)**	(40,680)	(12,490)	(36,270)	33,071
Add/(Deduct):				
Acquisition, eviction and disposal costs	362	3,348	362	3,348
Loss on disposal on investment properties	934	3,988	946	3,988
Net change in fair value of investment properties	44,919	7,694	63,202	(28,492)
Net change in fair value of financial derivatives	2,537	(907)	(2,851)	(2,276)
Net change in fair value of derivative on acquisition loan	-	-	-	33
Loss on sale of investment in joint venture	-	146	-	254
Adjustment for property taxes accounted for under IFRIC 21	(865)	(832)	-	-
Distributions on Exchangeable securities	97	206	645	1,238
Net change in fair value of Exchangeable securities	(442)	278	(5,479)	735
Net change in fair value of Promissory Notes	-	-	-	-
Foreign exchange loss (gain) (2)	(1,146)	151	(252)	1,188
Loss on extinguishment of mortgage loans (3)	-	1,012	54	1,012
Income tax adjustment on sale of investment properties	-	5,876	-	7,932
Deferred income tax recoveries	(2,139)	(5,517)	(3,222)	(7,717)
Other adjustments (1)	-	357	-	1,536
Non-controlling interest	(216)	(85)	(123)	(34)
FFO	**3,361**	**3,225**	**17,012**	**15,816**
Add/(Deduct):				
Non-cash effect of straight line rents	(25)	141	(43)	176
Cash effect of the rental guarantee	246	-	1,145	-
Cash effect of the lease equalization loans	-	3	-	(354)
Amortization of transaction costs on mortgage loans	222	11	293	84
Capex	(195)	(1,138)	(821)	(1,591)
AFFO	**3,609**	**2,242**	**17,586**	**14,131**
FFO / Units (diluted) *(in CAD$)*	**0.10**	**0.10**	**0.51**	**0.47**
AFFO / Units (diluted) *(in CAD$)*	**0.11**	**0.07**	**0.52**	**0.42**

(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) The 2022 loss on the Bad Homburg refinancing and in 2021, the loss on the Jeuneurs mortgage loan early termination, pursuant to the sale of the property.

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:

	December 31, 2022		December 31, 2021	
Operating metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Number of properties	8	13	7	12
Gross leasable area (sq. ft.)	1,117,830	1,540,218	976,960	1,399,345
Occupancy rate - end of period (1)	83.6%	86.6%	77.2%	82.6%
Weighted average lease term	2.8 years	3.0 years	2.6 years	3.1 years
Average initial yield (2)	6.0%	5.5%	4.9%	5.0%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available cash (4)	$45,176	$49,913	$76,627	$79,728
Fair value of investment properties	$437,422	$579,623	$427,631	$573,223
Debt-to-gross book value (3)	43.6%	50.5%	36.1%	43.3%
Debt-to-gross book value, net of cash) (3)	38.7%	46.4%	26.5%	35.7%
Weighted average loan term to maturity	3.7 years	3.4 years	3.9 years	3.4 years
Weighted average interest rate (3)	1.91%	1.93%	2.08%	1.99%
Interest coverage ratio (3)	3.4 x	3.5 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 December 31,		Year ended December 31,	
(thousands of CAD$ except per Unit and other data)	**2022**	**2021**	**2022**	**2021**
Financial performance metrics				
Rental revenue	6,796	6,253	25,377	28,194
Rental revenue - Total Portfolio (1)	8,869	8,225	33,470	36,495
Net rental income	6,705	5,813	21,633	24,191
Net rental income - Total Portfolio (1)	8,929	7,681	29,204	31,866
Net income, attributable to the Trust	(41,042)	(15,228)	(36,854)	30,333
Funds from Operations (FFO) (1) (2)	3,361	3,225	17,012	15,816
Adjusted Funds from Operations (AFFO) (1) (2)	3,609	2,242	17,586	14,131
FFO per Unit (diluted) (1) (2)	0.10	0.10	0.51	0.47
AFFO per Unit (diluted) (1) (2)	0.11	0.07	0.52	0.42
Distributions				
Declared distributions on Units and Exchangeable securities	3,466	6,914	23,097	37,942
Declared distributions on Units and Exchangeable sec., excluding Participatory Distribution	3,466	6,914	23,097	27,995
Declared distribution per Unit. including Participatory Distribution	0.10	0.51	0.58	0.93
Declared distribution per Unit	0.10	0.21	0.58	0.62
FFO payout ratio (1) (2)	103.1%	214.4%	135.8%	177.0%
AFFO payout ratio (1) (2)	96.0%	308.4%	131.3%	198.1%

(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).

About Inovalis REIT

Inovalis REIT is a real estate investment trust listed on the Toronto Stock Exchange in Canada. It was founded in 2013 by Inovalis and invests in office properties in primary markets of France, Germany and Spain. It holds 13 assets. Inovalis REIT acquires (indirectly) real estate properties via CanCorpEurope, authorized Alternative Investment Fund (AIF) by the CSSF in Luxemburg, and managed by Inovalis S.A.

About Inovalis Group

Inovalis S.A. is a French Alternative Investment fund manager, authorized by the French Securities and Markets Authority (AMF) under AIFM laws. Inovalis S.A. and its subsidiaries (Advenis S.A., Advenis REIM) invest in and manage Real Estate Investment Trusts such as Inovalis REIT, open ended funds (SCPI) with stable real estate focus such as Eurovalys (for Germany) and Elialys (Southern Europe), Private Thematic Funds raised with Inovalis partners to invest in defined real estate strategies and direct Co-investments on specific assets

Inovalis Group (www.inovalis.com), founded in 1998 by Inovalis SA, is an established pan European real estate investment player with EUR 7 billion of AuM and with offices in all the world's major financial and economic centers in Paris, Luxembourg, Madrid, Frankfurt, Toronto and Dubai. The group is comprised of 300 professionals, providing Advisory, Fund, Asset and Property Management services in Real Estate as well as Wealth Management services.

SOURCE Inovalis Real Estate Investment Trust

For further information, please contact:

David Giraud, Chief Executive Officer
Inovalis Real Estate Investment Trust
Tel: +33 1 5643 3323
david.giraud@inovalis.com

Khalil Hankach, Chief Financial Officer
Inovalis Real Estate Investment Trust
Tel:+33 1 5643 3313
khalil.hankach@inovalis.com