

**INOVALIS REAL ESTATE INVESTMENT TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

March 31, 2023

(Unaudited)

Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended March 31, 2023 and 2022

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the REIT for the quarters ended March 31, 2023 and 2022 have been prepared in accordance with International Accounting Standard 34, Interim Financial reporting, and are the responsibility of the REIT's management.

The REIT's external auditors, Ernst & Young Audit, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by Chartered Professional Accountants Canada for a review of the financial statements by the external auditors of an entity.

Inovalis Real Estate Investment Trust
Interim Consolidated Balance Sheets
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

Assets	Note	As at March 31, 2023	As at December 31, 2022
Non-current assets			
Investment properties	5	443 900	437 422
Investments in joint ventures	7	56 673	55 693
Other financial assets		332	330
Derivative financial instruments	21	443	807
Restricted cash	9	4 554	4 436
Total non-current assets		505 902	498 688
Current assets			
Trade receivables and other financial assets	8	8 691	8 227
Derivative financial instruments	21	2 174	3 002
Other current assets		3 335	3 132
Restricted cash	9	1 372	2 882
Cash		38 559	45 176
Total current assets		54 131	62 419
Total assets		560 033	561 107
Liabilities and equity	Note	As at March 31, 2023	As at December 31, 2022
Liabilities			
Non-current liabilities			
Interest-bearing loan		326	245
Mortgage loans	10	109 977	96 254
Lease liabilities	10	101 485	102 121
Tenant deposits		2 148	2 068
Derivative financial instruments	21	596	299
Deferred tax liabilities		2 061	1 839
Total non-current liabilities		216 593	202 826
Current liabilities			
Interest-bearing loan		25	22
Mortgage loans	10	24 754	38 027
Lease liabilities	10	7 702	6 424
Tenant deposits		163	303
Exchangeable securities	11	3 695	3 536
Trade and other payables	12	13 700	18 960
Income tax payable		2 060	2 039
Deferred income		1 825	793
Total current liabilities		53 924	70 104
Total liabilities		270 517	272 930
Equity			
Trust units	17	289 949	289 940
Deficit retained earnings		(14 085)	(12 327)
Accumulated other comprehensive income	18	12 445	9 366
Total unitholders' equity		288 309	286 979
Non-controlling interest		1 207	1 198
Total equity		289 516	288 177
Total liabilities and equity		560 033	561 107

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

On behalf of the Board of Trustees of Inovalis Real Estate Investment Trust:

Jean-Daniel Cohen
Chairman and Trustee

Robert Waxman
Audit Chair and Trustee

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Earnings
(Unaudited)

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

	<i>Note</i>	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Rental revenue	13	7 325	5 201
Property operating cost recoveries	13	1 481	1 247
Property operating costs	14	(4 849)	(4 584)
Other revenues		18	39
Other property operating expenses		(13)	(30)
Net rental income		3 962	1 873
General and administrative expenses	14	(1 853)	(1 868)
Foreign exchange loss		(6)	(980)
Share of net income from joint ventures	7	284	325
Operating earnings (loss)		2 387	(650)
Net change in fair value of Investment properties	5	1 614	2 131
Net change in fair value of Financial derivatives		(1 552)	799
Net change in fair value of Exchangeable securities	11	(159)	291
Finance income	15	1 529	1 168
Finance costs	15	(1 891)	(1 174)
Distributions on Exchangeable securities	11	(96)	(194)
Income before income taxes		1 832	2 371
Current income tax expense		(13)	(43)
Deferred income tax expense		(201)	(192)
Total income tax expense		(214)	(235)
Net income		1 618	2 136
Net (loss) income attributable to:			
Non-controlling interest		(4)	42
Unitholders of the Trust		1 622	2 094
		1 618	2 136

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

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Comprehensive Income
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	<i>Note</i>	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Net income for the period		1 618	2 136
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income:			
Net gains on derivatives designated as a hedge of the net investment in a foreign entity		-	495
Change in cumulative translation adjustment account		3 077	(12 248)
Other comprehensive income (loss)		3 077	(11 753)
Total comprehensive income (loss)		4 695	(9 617)
Total comprehensive (loss) income attributable to:			
Non-controlling interest		(6)	98
Unitholders of the Trust		4 701	(9 715)
Total comprehensive income (loss)		4 695	(9 617)

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

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Changes in Equity
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2021		32 587 809	288 752	46 979	9 055	344 786	1 299	346 085
Distributions earned by or declared to Unitholders		-	-	(6 721)	-	(6 721)	-	(6 721)
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	(105)	(105)
		-	-	(6 721)	-	(6 721)	(105)	(6 826)
Net income for the year		-	-	2 094	-	2 094	42	2 136
Other comprehensive (loss) income		-	-	-	(11 809)	(11 809)	56	(11 753)
Comprehensive income (loss)		-	-	2 094	(11 809)	(9 715)	98	(9 617)
As at March 31, 2022		32 587 809	288 752	42 352	(2 754)	328 350	1 292	329 642
As at December 31, 2022		32 778 699	289 940	(12 327)	9 366	286 979	1 198	288 177
Distributions earned by or declared to Unitholders	16	-	-	(3 380)	-	(3 380)	-	(3 380)
Issuance of units for payment of Trustee Fees		-	9	-	-	9	-	9
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	15	15
		-	9	(3 380)	-	(3 371)	15	(3 356)
Net income (loss) for the period		-	-	1 622	-	1 622	(4)	1 618
Other comprehensive income (loss)		-	-	-	3 079	3 079	(2)	3 077
Comprehensive income (loss)		-	-	1 622	3 079	4 701	(6)	4 695
As at March 31, 2023	18	32 778 699	289 949	(14 085)	12 445	288 309	1 207	289 516

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

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Cash Flows
(Unaudited)
(All dollar amounts in thousands of Canadian dollars)

	<i>Note</i>	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Operating activities			
Income before income taxes		1 832	2 371
Interest received		1 386	626
Interest paid		(793)	(1 174)
Distributions in respect of exchangeable securities paid in cash	11	(96)	(199)
Adjustments for non-cash items and other reconciling items	22	240	(2 063)
		<u>2 569</u>	<u>(439)</u>
Working capital adjustments	22	(5 167)	728
Net cash flows related to operating activities		<u>(2 598)</u>	<u>289</u>
Investing activities			
Additions to investment properties and capitalized letting fees	5	(276)	(61)
Acquisition of investment property - Gaia	6	-	(56 678)
Acquisitions of investment property - Delgado	6	-	(43 154)
Additional loan advances to joint ventures	7	(363)	-
Loan repayments received from joint ventures	7	285	583
Net change in restricted cash	9	1 455	(279)
Net cash flows related to investing activities		<u>1 101</u>	<u>(99 589)</u>
Financing activities			
Distributions to unitholders	16	(3 380)	(6 721)
Issuance of mortgage loans	22	-	51 197
Issuance of interest bearing loans		78	-
Repayment of mortgage loans	22	(1 082)	(1 046)
Repayment of lease liabilities	22	(1 112)	(1 685)
Repayment of interest bearing loan		-	(13)
Net cash flows related to financing activities		<u>(5 496)</u>	<u>41 732</u>
Decrease increase in cash		<u>(6 993)</u>	<u>(57 567)</u>
Effects of foreign exchange adjustments on cash		377	(3 573)
Cash at the beginning of the period		<u>45 176</u>	<u>76 627</u>
Cash at the end of the period		<u>38 560</u>	<u>15 487</u>

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

Inovalis Real Estate Investment Trust
Notes to the condensed interim consolidated financial statements
March 31, 2023

Note 1 – Organization

The Inovalis Real Estate Investment Trust (the “Trust”) is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013, under the laws of the Province of Ontario, Canada. These Consolidated Financial Statements include the accounts of the Trust and its subsidiaries (together the “REIT”). The REIT’s investment property portfolio, owned directly or through joint arrangements, is comprised of office rental properties located in France, Germany, and Spain.

The REIT’s head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7. The REIT’s units are listed on the Toronto Stock Exchange (“TSX”) under the symbol INO.UN.TO.

The REIT’s Condensed Interim Consolidated Financial Statements as at and for the three months ended March 31, 2023, were authorized for issuance by the Board of Trustees on May 5, 2023.

The REIT has hired Inovalis S.A. (“Inovalis SA”), a real estate asset manager having operations in France, Germany, and Spain to manage certain functions. Refer to Note 1 of the 2022 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 20 in these condensed interim consolidated financial statements, for information regarding the services provided by Inovalis SA to the REIT.

Inovalis SA is considered as a related party of the REIT as they share the same management. The founder and Chairman of Inovalis S.A. is President of the REIT, the Chief Executive Officer (“CEO”) of Inovalis S.A. is also CEO of the REIT, and the Deputy Chief Executive Officer of Inovalis S.A. is Chief Investment Officer (“CIO”) and Chief Financial Officer (“CFO”) of the REIT.

Note 2 – Basis of presentation and statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

These condensed interim consolidated financial statements use the same accounting policies and methods of their application as the REIT’s most recent annual consolidated financial statements and should be read in conjunction with the 2022 annual audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB.

Note 3 – Recent accounting pronouncements adopted

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

Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB published amendments to IAS 1, Presentation of Financial Statements and the IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Prospective application is required on adoption.

This amendment had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as all material accounting policies were determined to have been disclosed in the annual audited 2022 consolidated financial statements.

Amendment to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB published amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 8 provide an updated definition to changes in accounting estimates to assist in assessing between a changing in accounting policy and a change in accounting estimate. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Prospective application is required on adoption.

This amendment had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as no material changes in accounting estimates were determined to have occurred in the quarter ended March 31, 2023.

Amendment to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB published amendments to IAS 12, Income Taxes. The amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 in which an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

This amendment had no impact on the Condensed Interim Consolidated Financial Statements of the REIT as no initial recognition exemptions were recognized for acquisitions occurring in the comparative period or the current period.

IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 and its amendments, applicable as at January 1st, 2023, had no impact on the Group’s interim condensed consolidated financial statements.

Note 4 – Critical accounting judgments and estimates

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the REIT’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2022.

Note 5 – Investment properties

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current financial period are as follow:

	For the three months ended March 31, 2023	For the year ended December 31, 2022
Balance, beginning of the period	437 422	427 631
Capex	317	1 842
Acquisition of Delgado investment property (including acquisition costs)	-	43 154
Acquisition of Gaia investment property (including acquisition costs)	-	56 678
Disposition of Veronese investment property held by Veronese SCI	-	(39 386)
Change in capitalized letting fees	(41)	113
Rent free periods	39	172
Net change in fair value of investment properties	1 614	(58 393)
Foreign currency translation adjustment	4 549	5 611
Balance, end of the period	443 900	437 422

All of the REIT's investment properties with a fair value of \$443,900 (2022 - \$437,422) are pledged as security for an amount of \$243,918 (2022 - \$242,886) in mortgage loans and lease liabilities.

Appraisal capitalization and discount rates

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. The techniques used by the REIT are the Direct Capitalization Method ("DC") and the Discounted Cash Flow Method ("DCF").

On the Direct Capitalization Method, the cash generated during the term of the lease as well as the cash generated at reversion, as estimated based on the normalized net operating income generated by the property, are capitalized on using the same capitalization (discount) rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Under the DCF method, a property's fair value is estimated using analysis of the future cash flow generated by the property on a 10 year period associated with a market derived discount rate and exit cap rate. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related lease up periods, reletting, redevelopment, or refurbishment. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The group that determines the REIT's valuation policies and procedures for property valuations comprises the CEO, CIO and CFO. Each year, Inovalis SA appoints an independent real estate valuation expert who is responsible for the valuation of the REIT's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of the REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties, German properties and Spanish properties.

The REIT's investment properties were last appraised by an external evaluator as of December 31, 2022. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

Note 5 – Investment properties (Cont'd)

	As at March 31, 2023				As at December 31, 2022			
	France	Germany	Spain	Total	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes								
Market value (in Euros) as estimated by external appraisers	217 019	57 800	30 403	305 222	215 394	58 098	30 403	303 895
Option costs	(2 344)	-	-	(2 344)	(2 337)	-	-	(2 337)
Adjusted market value in Euros	214 675	57 800	30 403	302 878	213 057	58 098	30 403	301 558
Exchange adjustment	99 953	26 912	14 156	141 021	95 990	26 176	13 698	135 864
Adjusted market value in CAD\$	314 628	84 712	44 559	443 899	309 047	84 274	44 101	437 422
Principal method used to value property	Direct Capitalization Method	Direct Capitalization Method	Discounted Cash Flow Method		Direct Capitalization Method	Direct Capitalization Method	Discounted Cash Flow Method	
Number of years used in cash flow projection			10				10	
Capitalization rate / discount rate	4.35% to 7.10%	5.20% to 6.25%	7.50%		4.35% to 7.10%	5.20% to 6.25%	7.50%	
Terminal capitalization rate	5.57%	5.50%			5.57%	5.50%	-	
Weighted average discount rate			7.50%		-	-	7.50%	
Impact on the fair value of investment properties of:								
an increase of 25 bps on the cap rate and/or discount rate	(13 864)	(3 707)	(1 437)	(19 008)	(13 670)	(3 688)	(1 423)	(18 781)
a decrease of 25 bps on the cap rate and/or discount rate	15 254	4 065	1 537	20 856	15 045	4 045	1 521	20 611

Right-of-use asset

The REIT leases various investment properties with a carrying amount of \$196,356 (December 31, 2022 – \$193,152) under leases which begin to expire in approximately 4 years (2022: 5 years).

Note 6 – Acquisitions of investment properties

Acquisitions of investment properties for 2022

Gaia property

On January 11, 2022, the REIT, through its 100% owned subsidiary, INOPCI 1, finalized the registration and incorporation of a new entity, Gaia, to use to hold an office building it planned to purchase in a suburb of Paris, France. Gaia is owned 99.99% by INOPCI 1 and 0.01% by Inovalis SA, the asset manager of the REIT.

On March 28, 2022, the REIT entered into a deed of sale to purchase the office building (“the Gaia Property”). The REIT obtained a 100% ownership interest in the Gaia Property and any related working capital items for total consideration of €40,683 (\$55,951), which includes transaction costs of €3,720 (\$5,118). Deducted from the total consideration is a rental guarantee received from the seller of €2,476 (\$3,406) equal to the fair value of the vacancies and below-market lease contracts in place for the Gaia Property. The transaction was financed using a bank loan of €22,000 (\$30,265) as well as excess cash reserves of the REIT.

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired are substantially concentrated in the Gaia Property, the transaction has been classified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Purchase price allocation	(in 000's of €)	(in 000's of \$)
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Investment property	41 211	56 678
Other assets	65	89
Total assets acquired	41 276	56 767
Deferred rent	(593)	(816)
Total liabilities assumed	(593)	(816)
Net assets acquired	40 683	55 951
Consideration transferred by the REIT for the acquisition consists of the following:		
Cash	39 439	54 239
Acquisition costs	3 720	5 118
Less: Rental guarantee received from the seller	(2 476)	(3 406)
Total consideration transferred	40 683	55 951

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

Delgado property

On March 31, 2022, the REIT entered into a deed of sale to purchase the office building (“the Delgado Property”). The REIT obtained ownership of the Delgado Property and any related working capital items for total consideration of €31,207 (\$43,198), which includes transaction costs of €1,781 (\$2,467). The transaction was financed using a bank loan of €16,225 (\$22,474) as well as excess cash from the sale of the Jeuneurs property, which took place in Q4 of 2021.

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the Delgado Property, the transaction has been qualified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Purchase price allocation	(in 000's of €)	(in 000's of \$)
<u>Recognized amounts of identifiable assets acquired and liabilities assumed:</u>		
Investment property	31 175	43 154
Other assets	32	44
Total assets acquired	31 207	43 198
Net asset acquired	31 207	43 198
<u>Consideration transferred by the REIT for the acquisition consists of the following:</u>		
Cash	29 426	40 731
Acquisition costs	1 781	2 467
Total consideration transferred	31 207	43 198

Note 7 – Investments in joint ventures

Outlined below is a breakdown of the carrying amounts of the components of the investments in joint ventures:

	Duisburg	Stuttgart	Delizy	Isenburg	Kosching	Total
Balance -December 31, 2021	24 100	13 942	4 888	11 377	10 020	64 327
Additional investment for the year	-	-	171	-	-	171
Share of net (loss) income from investments ¹	(3 011)	1 636	(1 380)	117	(362)	(3 000)
Impairment of investment in joint ventures	-	-	(585)	-	-	(585)
Repayment on loans to joint ventures	(4 028)	(452)	-	(192)	(630)	(5 302)
Exchange differences	(204)	191	(28)	94	29	82
Balance - December 31, 2022	16 857	15 317	3 066	11 396	9 057	55 693
Additional investment for the period	-	-	363	-	-	363
Share of net (loss) income from investments ¹	(106)	144	(221)	286	181	284
Repayment on loans to joint ventures	-	(218)	-	-	(67)	(285)
Exchange differences	174	159	68	121	95	618
Balance - March 31, 2023	16 925	15 402	3 276	11 803	9 266	56 673

(1) The share of net income (loss) from investments includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to \$684 (2022 - \$779 and are included in "Finance income" (see note 15)).

The balance of investments in joint ventures as at March 31, 2023 includes loans to joint ventures for an amount of \$28,776 which is detailed as follows:

Loans to joint ventures	Duisburg	Stuttgart	Delizy	Isenburg	Kosching	Total
Gross Balance - March 31, 2023	10 925	9 445	10 674	1 055	-	32 099
Less: Cumulative ECL	-	-	(3 323)	-	-	(3 323)
Net Balance - March 31, 2023	10 925	9 445	7 351	1 055	-	28 776
Gross Balance - December 31, 2022	10 812	9 565	10 201	1 044	67	31 689
Less: Cumulative ECL	-	-	(3 323)	-	-	(3 323)
Net Balance - December 31, 2022	10 812	9 565	6 878	1 044	67	28 366

Delizy

During the quarter-ended March 31st, 2023, the REIT entered into an extension of its initial agreement to defer monthly interest payments on its loan to Delizy. The agreement includes the deferral of monthly interest payments for the months of November 2020 to March 2023 which are now due to be paid at the end of April 2023. No additional interest will be charged on any interest payments deferred. There is no impact on the REIT's income joint ventures because of the above deferral.

Repayments on loans to joint ventures

During the quarter ended March 31, 2023, loan repayments of €150 (\$218), and €46 (\$67) occurred respectively for Stuttgart and Kosching.

Note 8 – Trade and other receivables

	Note	As at March 31, 2023	As at December 31, 2022
Trade receivables		3 610	3 063
Provision for impairment of trade receivables		(676)	(669)
Trade receivables		2 934	2 394
Other receivables		3 105	3 233
Other receivables - Inovalis SA	20	244	331
Interest receivable - Joint ventures - current	20	2 408	2 269
Other current financial assets		5 757	5 833
Total trade receivables and other financial assets		8 691	8 227

Note 9 – Restricted Cash

As at March 31, 2023, the restricted cash mainly includes (i) €900 (\$1,319) in current assets in relation to the covenant deposit for the bank loan relating to the Walpur property; (ii) €2,428 (\$3,558) of which €36 (\$53) is in current assets, in relation to a capital expenditure reserve for the TRIO property; (iii) €667 (\$977) in non-current assets corresponding to the cash reserve relating to the Sablière bank loan. The guarantee deposit for the bank loan agreement for the Veronese property of €1,000 (\$1,450) has been released by the lender at January 9, 2023.

Note 10 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

As at March 31, 2023					
Entity	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Sabliere	Euribor 3M + 1.59%	23/06/2026	14 790	13 440	1 350
Mortgage loan - Cancorp Trio	1.56%	15/03/2024	43 747	43 289	458
Mortgage loan - Baldi	Euribor 3M + 1.75%	26/10/2027	5 906	-	5 906
Mortgage loan - Walpur Four	1.43%	31/03/2023	16 327	-	16 327
Mortgage loan - Gaia Nanterre	1.91%	31/03/2027	31 277	31 277	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 684	21 971	713
Mortgage loans			134 731	109 977	24 754
Lease liabilities - Arcueil	Euribor 3M + 2.20%	08/07/2027	52 723	48 231	4 492
Lease liabilities - Metropolitan	Euribor 3M + 1.84%	18/03/2031	56 464	53 254	3 210
Lease liabilities			109 187	101 485	7 702
Total mortgage loans and lease liabilities			243 918	211 462	32 456

As at December 31, 2022					
Entity	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Veronese	Euribor 3M + 1.90%	21/03/2031	-	-	-
Mortgage loan - Sabliere	Euribor 3M + 1.59%	23/06/2026	14 951	-	14 951
Mortgage loan - Cancorp Trio 1	1.56%	15/03/2024	43 380	42 928	452
Mortgage loan - Baldi	Euribor 3M + 1.75%	26/10/2027	5 817	-	5 817
Mortgage loan - Walpur Four	1.43%	31/03/2022	16 101	-	16 101
Mortgage loan - Gaia Nanterre	1.91%	31/03/2027	30 898	30 898	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	23 134	22 428	706
Mortgage loans			134 281	96 254	38 027
Lease liabilities - Arcueil	Euribor 3M + 2.20%	08/07/2027	53 291	48 841	4 450
Lease liabilities - Metropolitan	Euribor 3M + 1.84%	18/03/2031	55 254	53 280	1 974
Lease liabilities			108 545	102 121	6 424
Total mortgage loans and lease liabilities			242 826	198 375	44 451

Note 10 – Mortgage loans and lease liabilities (Cont'd)

The aggregate principal repayments and balances maturing on the mortgage loans during the period indicated, are as follows:

	As at March 31, 2023		As at December 31, 2022	
	Carrying value	Minimum payments	Carrying value	Minimum payments
Within 1 year	24 754	25 328	38 027	40 488
After 1 year, but not more than 5 years	109 977	113 945	96 254	99 271
More than 5 years	-	-	-	-
	<u>134 731</u>	<u>139 273</u>	<u>134 281</u>	<u>139 759</u>
Less : future interest costs	-	(4 542)	-	(5 478)
Total mortgage loans	<u>134 731</u>	<u>134 731</u>	<u>134 281</u>	<u>134 281</u>

The aggregate principal repayments and balances maturing on the lease liabilities during the period indicated, are as follows:

	As at March 31, 2023		As at December 31, 2022	
	Carrying value	Minimum lease payments	Carrying value	Minimum lease payments
Within 1 year	7 702	9 578	6 424	8 305
After 1 year, but not more than 5 years	57 903	64 220	58 363	64 833
More than 5 years	43 582	46 280	43 758	46 673
	<u>109 187</u>	<u>120 078</u>	<u>108 545</u>	<u>119 811</u>
Less : future interest costs	-	(10 891)	-	(11 266)
Total lease liabilities	<u>109 187</u>	<u>109 187</u>	<u>108 545</u>	<u>108 545</u>

Loan covenant breaches and repayment

As at March 31, 2023, the REIT was in breach of certain covenants on one of its mortgage loans with third-party lenders, as follows:

Baldi SCI – Loan Covenant Breach

As at March 31, 2023, the REIT is in breach of the debt service coverage ratio (“DSCR”) covenant on the mortgage loan within Baldi SCI. The covenant requirement of 115% is in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. In Q1 of 2023, the REIT signed a waiver with the lender waiving the rights to repayment until the end of Q2 2023. However, as the waiver covers a period less than 12 months, the totally carrying amount of the loan remains classified as a current liability due to the lender’s right to repayment upon the breach of the DSCR covenant.

Sabliere SCI – Loan Covenant Remediation

As of March 31, 2023, the REIT is no longer in breach of the DSCR covenant requirement of 120% on the mortgage loan within Sabliere SCI. The breach was remedied due to the REIT advancing funds to a cash reserve account with the lender. The total carrying amount of the loan will be split between current liabilities and long-term liabilities based on schedule repayments as at March 31, 2023.

Walpur Four – Loan Extension

On March 31, 2023, the mortgage loan on the Bad Homburg property was due to mature. The REIT is currently in discussions with the lender to extend the term of the loan. No extension had been signed as at March 31, 2023 and as such, the loan will continue to be classified as a current liability.

Note 11 – Exchangeable securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	Carrying amount of Exchangeable securities
Balance - December 31, 2021	938 086	9 015
Net change in fair value of exchangeable securities	-	(5 479)
Balance - December 31, 2022	938 086	3 536
Net change in fair value of exchangeable securities	-	159
Balance - March 31, 2023	938 086	3 695

Distribution in respect of Exchangeable Securities:

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCEU equal, on a per unit basis to the distributions paid to holders of units by the REIT.

The following table breaks down distribution payments for distributions on exchangeable securities:

	Note	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Amount payable at the beginning of the period		236	265
Declared and recognized in earnings during the period		96	194
Distribution on exchangeable securities paid in cash		(96)	(199)
Amount payable at the end of the period		236	260

Note 12 – Trade and other payables

	Note	As at March 31, 2023	As at December 31, 2022
Trade payables		9 102	7 032
Trade payables		9 102	7 032
Other payables		213	498
Other payables - Joint ventures	20	767	740
Distributions payable	16	1 133	1 133
Distributions payable - Inovalis SA	20	236	236
VAT payable		2 249	9 321
Other payables		4 598	11 928
Total trade and other payables		13 700	18 960

As at March 31, 2023, the VAT payable is mainly impacted by the VAT on the sale of Véronèse property on December 19, 2022 paid in January for an amount of (\$7,402).

Note 13 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Regular rents	7 278	5 483
Amortization of rent free periods (lease incentives)	47	(282)
Rental income	7 325	5 201
Property operating cost recoveries	1 481	1 247
Total revenue	8 806	6 448

The property operating cost recoveries were as follows:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Taxes	670	474
Insurance	110	79
Property management fees	275	218
Utilities and other cost recoveries	426	476
Property operating cost recoveries	1 481	1 247

Note 14 – Expenses

Property operating costs consist of the following:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Property tax expense	(3 223)	(3 271)
Insurance	(134)	(94)
Property management fees	(334)	(226)
Utilities	(1 158)	(993)
Total property operating costs	(4 849)	(4 584)

In accordance with IFRIC 21, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. For the three months ended March 31, 2023, the amount recognized is \$2,384 (2022 - \$2,507).

General and administrative expenses consist of the following:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Asset management fees	(553)	(496)
Less : amount invoiced to joint ventures	288	282
	(265)	(214)
Professional fees for accounting, tax and audit	(867)	(708)
Legal expenses	(134)	(282)
Trustee fees	(103)	(63)
Travel expenses	(118)	(144)
Governance expenses	(74)	(148)
Bank and depositary fees	(61)	(116)
Listing and transfer agent fees	(15)	(52)
Other general and administrative expenses	(216)	(141)
Total general and administrative expenses	(1 853)	(1 868)

Note 15 – Finance costs and finance income

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Interest costs related to mortgage loans	(731)	(417)
Interest costs related to lease liabilities	(1 099)	(421)
	(1 830)	(838)
Interest SWAP and CAP	29	(252)
Other finance costs	(32)	(72)
	(1 833)	(1 162)
Amortization of transaction costs on mortgage loans	(58)	(12)
Finance costs	(1 891)	(1 174)
Finance income from joint venture loans	684	779
Other finance income	845	389
Finance income	1 529	1 168

Note 16 – Distributions

	Note	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Amount payable at the beginning of the period		1 133	2 240
Declared and recognised during the period		3 380	6 721
Paid in cash		(3 380)	(6 721)
Amount payable at the end of the period	<i>11</i>	1 133	2 240

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

Note 17 – Trust units

The REIT is authorized to issue an unlimited number of units and an unlimited number of Special Voting Units.

The beneficial interests of the REIT are comprised of a single class of units which represent a unitholders' proportionate undivided beneficial interest in the REIT. No unit has any preference over any other unit. Each unit confers the right to one vote at any meeting of unitholders and to participate on a pro rata basis in any distributions by the REIT and, in the event of the termination of the REIT, in the net assets of the REIT remaining after the settlement of all liabilities of the Trust. The units of the Trust are redeemable at the demand of the unitholders at the fair market value of the units at that time.

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 10 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at March 31, 2023, 938,036 Special Voting Units were issued and outstanding (December 31, 2022 – 938,036).

Rights Plan

On March 29, 2023, the Board of Trustees adopted a Unitholders' rights plan (the "Rights Plan"), subject to Unitholders ratification. The Rights Plan protects 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 took effect immediately and was ratified subsequent to the quarter-end at the May 9, 2023 Annual General Meeting of 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. 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. The Rights Plan is similar to other security holder rights plans adopted by other Canadian real estate investment trusts, income trusts and corporations.

Note 18 – Accumulated other comprehensive income

	As at March 31, 2023	As at December 31, 2022
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	2 820	2 820
Cumulative translation adjustment account	9 625	6 546
Accumulated other comprehensive income	12 445	9 366

Note 19 - Unit-based compensation plan

The REIT through its Deferred Share Unit (“DSU”) Plan, grants DSU’s to its trustees and senior officers as non-cash compensation. These DSU’s are measured at fair value at the grant date and compensation expense is recognized consistent with the vesting features of the plan. The DSU plan is accounted for as a cash-settled award as the underlying REIT units are redeemable at the sole discretion of the unitholders for cash at market value of the units. For cash-settled awards, the REIT recognizes a liability measured at its fair value. At each reporting date until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognised as compensation expense for the same period. Upon settlement of a DSU, the liability balance is reduced and the resulting Trust Unit is recorded in equity.

Effective May 15, 2019, the REIT’s unitholders approved a DSU Plan to grant DSUs to its trustees and senior officers and reserved a maximum of 200,000 units for issuance under the plan. A DSU is a unit equivalent in value to one trust unit of the REIT. The DSU Plan permits the REIT’s trustees to defer receipt of all or a portion of their trustee fees until termination of the trustee service and to receive such fees in the form of trust units at that time (“Elected DU”). Elected DU will vest immediately upon grant.

The DSU Plan allows the Board of Trustees to grant DSUs to its senior officers at the Board’s discretion (“Granted DU”). The Granted DU will vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DU is recognized in the interim consolidated statement of earnings consistent with the vesting feature of each grant.

In addition, whenever cash distributions are paid on the REIT’s Trust Units, additional deferred units (“ADU”) shall be granted based on aggregate number of vested DSUs as at the same date.

	As at March 31, 2023	As at December 31, 2022
Outstanding at beginning of year	39 398	20 250
Granted DU	-	18 285
Elected DU	1 940	4 465
Exercised	-	(4 726)
ADUs earned	375	1 124
Outstanding at end of year	41 713	39 398

As of March 31, 2023, 41,761 DSUs are outstanding and 179,052 DSUs are available for grant under the DSU Plan.

Note 20 – Transactions with related parties

Inovalis SA – Asset manager

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

On March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis SA. The following modifications were approved in the amended and management agreement:

- Extended for three years from March 31, 2023 to March 31, 2026
- Disposition fees are payable to Inovalis SA irrespective of whether proceeds of sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT.

Unless otherwise stated, none of these transactions incorporated special terms and conditions. The amended management agreement allows for the management fees to be settled quarterly through the issuance of either exchangeable securities or in cash. During the three months ended March 31, 2023, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Expenses				
Asset management fees	Administration expenses	A	(265)	(214)
Facilities management fees	Service charge expenses		(39)	(61)
Property management fees	Service charge expenses	B	(287)	(226)
Letting fees invoiced	Service charge expenses		-	(54)
less portion accounted for over the lease term	Service charge expenses		-	53
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		(96)	(194)
Interest expense on lease equalization loans	Finance costs		(5)	-
Reimbursement of travel expenses	Administration expenses		(118)	(144)
Trustee fees	Administration expenses		(103)	(63)
			<u>(913)</u>	<u>(903)</u>

(A) Asset management fees of \$553 and \$496 as at March 31, 2023, and March 31, 2022 respectively, correspond to the asset management fees earned for the entire portfolio, including \$288 and \$282 attributable to assets held through joint ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.

(B) An annual property management fee in an amount between 3.0% and 3.5% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants.

Inovalis and its subsidiaries	Note	Due from (to) Inovalis SA	
		As at March 31, 2023	As at December 31, 2022
Assets			
Trade and other receivables	8	244	331
		<u>244</u>	<u>331</u>
Liabilities			
Interest-bearing loan		351	267
Distributions payable	10	236	236
Exchangeable securities	10	3 695	3 536
		<u>4 282</u>	<u>4 039</u>

Note 20 – Transactions with related parties (Cont'd)

Joint ventures

The transactions and balances with joint ventures entities are summarized below:

	Financial statement line item	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Management fees invoiced to joint ventures	Administration expenses	(288)	(282)
Property management fees	Service charge expenses	(65)	(30)
Finance income	Finance income	684	779
		<u>331</u>	<u>467</u>
Due from joint ventures			
	Financial statement line item	As at March 31, 2023	As at December 31, 2022
Assets			
Loan receivable	Investments accounted for using the equity method	28 776	28 366
Interest receivables	Other financial assets - current	2 408	2 269
		<u>31 184</u>	<u>30 635</u>
Liabilities			
Loan payable	Interest bearing loan	79	-
Balance of sale payable	Trade and other payables	767	740
		<u>846</u>	<u>740</u>

For more information on joint ventures, please refer to Note 7 – Investments in joint ventures.

Remuneration of key management personnel

The following table presents the remuneration of key management personnel, which for the purposes of this note are defined as the members of the board of trustees as well as the officers of CCEU. The appointed officers of the REIT are employed and remunerated by Inovalis SA rather than the REIT, and the costs of their services are not invoiced distinctly from the overall asset management fees.

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Wages, fees and other benefits	(103)	(63)
	<u>(103)</u>	<u>(63)</u>

Note 21 – Financial instruments and risk management

The following table shows an analysis of the fair values of financial instruments and non-financial assets measured at fair value on a recurring basis recognized on the consolidated balance sheet by the level of the fair value hierarchy. There are currently no items valued using Level 1 of the fair value hierarchy.

	As at March 31, 2023		
	Level 2	Level 3	Total
Investment properties	-	443 900	443 900
Derivative financial instruments - assets	2 617	-	2 617
Derivative financial instruments - liabilities	(596)	-	(596)
Exchangeable securities	(3 696)	-	(3 696)

	As at December 31, 2022		
	Level 2	Level 3	Total
Investment properties	-	437 422	437 422
Derivative financial instruments - assets	3 809	-	3 809
Derivative financial instruments - liabilities	(299)	-	(299)
Exchangeable securities	(3 536)	-	(3 536)

The REIT's financial assets and liabilities comprise cash, trade receivables, trade payables and accrued liabilities, mortgages loans and exchangeable securities. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

Fair value of financial assets and liabilities

The fair values of cash, trade receivables, trade payables and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments.

(a) Mortgage loans

Mortgage loans are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at March 31, 2023.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using March 31, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2023 of the mortgage loans has been estimated at \$133,550 (December 31, 2022 – \$133,425) compared with the carrying value before deferred financing costs of \$134,731 (December 31, 2022 – \$134,281). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Exchangeable Securities

The fair value of the Exchangeable Securities is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one-to-one basis throughout their life at the request of the unit holders. Other features of the Exchangeable Securities have no significant impact on their fair value.

Note 21 – Financial instruments and risk management (Cont'd)

Risks associated with financial assets and liabilities

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest rate risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the REIT's activities. The REIT aims to develop a disciplined control environment in which all employees understand their roles and obligations.

Currency risk

The REIT operates in France, Germany and Spain, and the functional currency for these operations is the Euro. The REIT's distributions are paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders could be adversely impacted by currency variations. To ensure the predictability of distributions to unitholders, the REIT enters into foreign currency forward contracts to offset its exposure to currency risk.

Liquidity Risk

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

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

Fair value of financial assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's financial assets and liabilities that are not carried at fair value in the Consolidated Financial Statements.

As at March 31, 2023	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	28 776	28 776
Financial liabilities			
Mortgage loans	2	134 731	133 550
Tenant deposits	2	2 311	2 311
As at December 31, 2022			
Financial assets			
Loans to joint ventures	3	28 366	28 366
Financial liabilities			
Mortgage loans	2	134 281	133 425
Tenant deposits	2	2 371	2 371

Note 22 – Cash flow information

	Note	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Adjustments for non-cash items and other reconciling items:			
(Increase) Decrease in rent-free period	5	(39)	303
Net change in fair value of investment properties	5	(1 614)	(2 131)
Net change in fair value of financial derivatives		1 552	(799)
Distributions recognized on exchangeable securities	11	96	194
Net change in fair value of exchangeable securities		159	(291)
Finance income	15	(1 529)	(1 168)
Finance costs	15	1 891	1 174
Share of net income from investments in joint venture	7	(284)	(552)
Impairment of loans to joint ventures	7	-	227
Foreign exchange loss		10	980
		242	(2 063)
Working capital adjustments			
Increase in trade and other receivables		(412)	(7 359)
(Decrease) increase in tenant deposits		(122)	978
(Decrease) increase in trade and other payables		(4 633)	7 109
		(5 167)	728

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

Liabilities	As at December 31, 2022	Cash flows - repayment	Interest capitalized	Foreign exchange movement	Fair value changes	As at March 31, 2023
Exchangeable securities	3 536	-	-	-	159	3 695
Mortgage loans	134 281	(1 083)	144	1 389	-	134 731
Lease liabilities	108 545	(1 112)	628	1 126	-	109 187

Corporate information

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Investor relations

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Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

On August 15, 2022, the REIT announced the suspension of its Distribution Reinvestment and Unit Purchase Plan (the “DRIP”) effective as of its September Distribution. The DRIP will remain suspended until further notice and commencing with the September 2022 Distribution, distributions of the REIT will be paid only in cash. The DRIP allowed eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT’s election, were issued from treasury or purchased on the open market. If the REIT elected to issue units from treasury, such units were purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the “TSX”) for the five trading days immediately preceding the relevant dividend payment date. The REIT could, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.



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