inovalis REIT

June 30, 2024

Quarterly Report

Contents

All amounts in the MD&A (as defined herein) are presented in thousands of Canadian dollars or Euros, except rental rates, per unit amounts or as otherwise stated. Information contained in this MD&A is based on information available to management as of August 8, 2024.

Letter to Unitholders

Worldwide attention is on Paris these past weeks and the visitors to the 2024 Olympics are marveling at the fascinating architecture, culture, and hospitality of our capital city. In addition to these attributes, Paris is also a center of commerce, innovation and technology in Europe and provides a robust environment for financial services and related industries. Typically, these attributes would be expected to draw considerable international investment interest, however, the current political status and the uncertainty surrounding the formation of a new government may cause uncertainty with respect to future transactions.

Post-pandemic work patterns are stabilizing in Paris and Germany, with a mix of remote and hybrid work models becoming the norm here as in much of the world. This has led to a re-evaluation of office space requirements. Prime office locations in central business districts (CBDs) like La Defense are expected to see sustained demand. In Germany, there has been stable demand for office space in major cities. This is driven by their economy, a growing tech sector, and Germany's position as a business hub in Europe. Office space demand is growing in major European cities which supports confidence in our portfolio. Germany remains an attractive market for real estate investors due to its economic stability and strong legal framework.

Challenges such as economic uncertainties, regulatory changes, and competition from other global cities remain. Both France and Germany, as in the rest of Europe have experienced a period of investment inactivity in 2024. Domestic and international institutional investors have remained circumspect, waiting for France's government to be confirmed and for Germany to fully emerge from the 2023 recession. Paris's strategic initiatives, infrastructure investments, and global appeal position it for renewed business growth following this cycle. Germany remains an attractive market for real estate investors due to its general economic stability.

With respect to the REIT's current portfolio, a letter of intent was entered into with Inovalis S.A. in Q2 to purchase the Sablière property for €17,500,000 and given this is a "related party" transaction, unitholders are being asked to approve the sale at a Special Meeting of unitholders to be held on September 4, 2024. I encourage you to review the management information circular that will be mailed to unitholders in respect of the Special Meeting.

Also, in Q2, we achieved an extension on the Trio financing until March 2025. Managing the maturities and costs of our financings remains an area of primary focus in this higher interest rate environment.

A non-binding offer on the Arcueil property remains in place and we are in negotiations with a potential buyer and supporting due diligence processes in respect thereof.

Our Q2 NOI is in line with the REIT's internal forecast which considers current occupancy levels and redevelopment plans for properties in the Asset Recycling Plan.

Thank you for your continued support and confidence in our vision. I look forward to reporting on the outcome of the Special Meeting early next month regarding the proposed sale of the Sablière.

Stephane Amine

President and Chief Executive Officer
Inovalis Real Estate Investment Trust

Net Rental Income

$4.6 Million

Adjusted Net Rental Income – IFRIC 21[1]

$3.7 Million

Quarterly FFO/Unit

$0.02

Q2 2024

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 June 30, 2024 ("Q2 2024"), decreased significantly to $4,616 (€3,144), compared to the $10,430 (€7,154) NOI for the three months ended June 30, 2023 ("Q2 2023") which had been boosted by the $2,316 indemnity negotiated upon Arcueil's single tenant departure. The Q2 2024 NOI is in line with expectations regarding notably the full vacancy of the Arcueil property since July 1, 2023 and the departure of the main tenant (44% occupancy) in the Bad Homburg property at the end of January 2024.

For the six months ended June 30, 2024, the IP Portfolio NOI was $5,528 (€3,765), compared to $14,302 for the same period of 2023, the decrease being mostly attributable to the above-mentioned Arcueil indemnity and to the decrease in the occupancy rate following the main tenant departures in the Arcueil and Bad Homburg properties.

The "other revenues" line in Q2 2024 included a $646 indemnity negotiated upon the early departure of a tenant in the Trio property (6% occupancy) representing the rental revenue and property operating cost recoveries until the end of the original lease agreement.

In Q2 2024, Net Rental Income, adjusted for IFRIC 211 for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was $5,841 (€3,978), compared to $11,588 (€8,018) for Q2 2023, a decrease due to the same reasons described above with respect to the IP Portfolio.

Leasing Operations

As at June 30, 2024, occupancy of the REIT's IP Portfolio was 48.3% and occupancy of the REIT's Total Portfolio was 58.7%. The greatest contributors to the decrease in occupancy are the assets included in the asset recycling plan (Arcueil, Sablière and Baldi) as well as the Bad Homburg property following the departure of the main tenant in January 2024. The occupancy rate of the Total Portfolio excluding properties in the Asset Recycling Plan would be 80.8%.

There has been steady interest from prospective tenants throughout 2023 and the first half of 2024, for both long and short-term leases in our Parisian, German and Spanish portfolio. To bolster leasing efforts, notably with on-field brokers, management is selectively considering tenant improvements to attract tenants and maximize rent.

Asset Recycling Plan

Management is advancing plans for the sale of the Sablière property, subject to approval by unitholders of the REIT ("Unitholders") at a special meeting (the "Special Meeting") to be convened in person on September 4, 2024. Municipal approval of the proposed Arcueil property project has been obtained and management is focused on obtaining a promise to sell before year-end. This could lead to a building permit application and a formal exchange contract being entered into as early as Q4 2025.

The Arcueil (Fair Value $72,166) and Baldi properties (Fair Value $25,780) are being marketed for sale as part of the REIT's previously announced Asset Recycling Plan. These are mature assets and management believes this is the optimal time to try and extract value for these assets. Upon the sale of these properties, if completed, management and the Board would consider the best uses of the proceeds including the options to pay down debt, make capital investments to support leasing, invest in redevelopment opportunities and make opportunistic acquisitions. Refer to the "*Portfolio Overview - Asset Recycling Plan*" section of this MD&A for more detailed discussion.

Joint Venture ("JV") Arrangement Wind Up

Management is executing on its previously announced commitment to wind up the current joint ventures in accordance with their respective agreements. Marketing agreements were signed in January 2024 for each of the Stuttgart and Duisburg properties and the properties are being actively marketed to attract investors. JV arrangement maturities for the Kosching and Neu

1. 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.

Isenburg properties were extended until the beginning of 2025, aligned with the financing expiry term The JV arrangement for Delizy does not expire until 2029. Refer to the "*Portfolio Overview – Joint Venture Arrangement Wind Up*" section of this MD&A for more detailed discussion.

Capital Market Considerations

For the past 12 months, there has been significant downward pressure on net asset values due to volatile economic conditions driven by high inflation and energy costs in the Euro-zone. Unitholders' equity as at June 30, 2024 was $213,265 (€145,533), which implies a book value per Unit at that date of $6.54/Unit or $6.38/Unit on a fully-diluted basis, using the weighted average number of units of the REIT (the "Units") for the period.

The REIT has addressed the volatile risks in the current capital markets by implementing short term leasing initiatives for properties in the REIT's Asset Recycling Plan, maintaining a conservative debt-to-gross-book value ratio, currently 48%.

Funds From Operations and Adjusted Funds From Operations

Due to the vacancy, increased finance costs and capex paid as part of a lease agreement on the Duisburg property, the REIT reported for Q2 2024 a nil AFFO per Unit and FFO[1] per Unit of $0.02 in line with management's forecast. Refer to the "*Non-GAAP Financial Measures and Other Measures*" section of this MD&A for a more detailed discussion on FFO and AFFO.

Financing Activity

The REIT is financed almost exclusively with asset-level, non- recourse financing with an average term to maturity of 2.6 years for the Total Portfolio (3.0 years for the IP Portfolio).

After the Neu-Isenburg and Kosching refinancings in Q1 2024, on June 12, 2024, Management successfully extended the Trio financing until March 2025. Amortization of $1,465 has been repaid out of the restricted cash and the loan now bears floating interest at 2.5% above the Euro Interbank Offered Rate ('EURIBOR") rate. With the recent confirmation of the departure of the Trio main tenant at the end of 2025, the opportunity for a sale and/or redevelopment process will be reviewed.

For the half year ended June 30, 2024, the weighted average interest rate across the Total Portfolio was 4.35% compared to 2.75% as at December 31, 2023. This increase reflects the higher interest rate on most of the REIT's mortgage loans, now bearing interest at a floating rate indexed on EURIBOR, as well as the penalty interest of the Trio mortgage loan (8.6% annually) prior to the loan extension. As at June 30, 2024, 28% of the REIT's debt for the Total Portfolio was at fixed REIT's interest rates, mostly on short term loans or within properties interest rates, mostly on short term loans or within properties being marketed for sale.

In its last economic bulletin, published in June 2024, the European Central Bank ("ECB") decided to lower key lending rates by 25 bps after nine months of holding rates steady. Economic growth estimates have been revised up to 0.9% in 2024, 1.4% in 2025 and 1.6% in 2026. Despite the foregoing, there exists uncertainty in the European political landscape, resulting in decreased and restrictive lending by financial institutions in Europe, including France and Germany making it increasingly difficult for businesses to secure loans. The tightening of credit has coincided with an economic slowdown, induced by interest rates which are starting to come down from an all-time high. Management will continue to seek financing opportunities through its banking networks in Europe, leveraging the quality of its properties, lease terms and high caliber tenants, but there is no assurance the REIT will be successful in securing such financing on terms acceptable to the REIT or at all. See "Risk*s and Uncertainties"* in the MD&A for a discussion of the conditions which could adversely impact the REIT's liquidity, operating results or financial condition, the ability to make distributions on the Units, the ability to implement the REIT's growth strategy and the ability of the REIT to sell properties if potential buyers are unable to secure financing necessary to complete the transaction.

Environmental, Social and Governance (ESG)

Integration of ESG objectives and strategies into the REIT's business reflects the growing importance of these factors among 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 to invest in "human capital" for the implementation and monitoring of all ESG initiatives.

The Spanish property Delgado is pursuing LEED Platinum certification that is expected to be received in Q3 2024.

On the German portfolio, the REIT expects offers for a green electricity procurement policy will be received in 2024, in addition to the implementation of smart water-saving equipment.

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

Management's Discussions and Analysis

Basis of Presentation

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Inovalis Real Estate Investment Trust (the "REIT") should be read in conjunction with the REIT's unaudited consolidated financial statements as at and for the three and six months ended June 30, 2024, and 2023, and the notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") and notably with International Accounting Standard ("IAS") 34; *Interim Financial Reporting*..

Dollar amounts in this MD&A are presented in thousands of Canadian dollars and Euros, except rental rates, per unit amounts or as otherwise stated. Historical results, including trends which might appear in this MD&A, should not be taken as indicative of future operations or results. See "Forward-Looking Information" for further details. Information contained in this MD&A, including forward- looking information, is based on information available to management as of August 8, 2024. Additional information about Inovalis REIT has been filed with applicable Canadian securities regulatory authorities and is available at www.sedarplus.ca.

Forward-Looking Information

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

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

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

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

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

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

(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 and political 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 and the market for dispositions, will be consistent with past conditions; and

(viii) 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 asset recycling, 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;
- the political environment in the REIT’s demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the geopolitical conflicts around the world on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic conditions;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under *“Risk and Uncertainties"* in this MD&A.

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

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

Market and Industry Data

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

Business Overview and Strategy

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

The REIT's long-term objectives are to:

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

The REIT's investment criteria encompass office properties outside of Canada with an occupancy level above 80% (unless AFFO accretive), secured rental cash flows, a property value between EUR€20,000 to EUR€60,000 (unless AFFO accretive) and potential future upside with respect to matters including rent and area development.

Foreign Currency Environment

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

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

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

The exchange rate used throughout this MD&A for statement of earnings items is the average rate during the applicable period, which for the periods ended June 30, 2024 and 2023 was $1.4684 and $1.4567 respectively (1% increase).

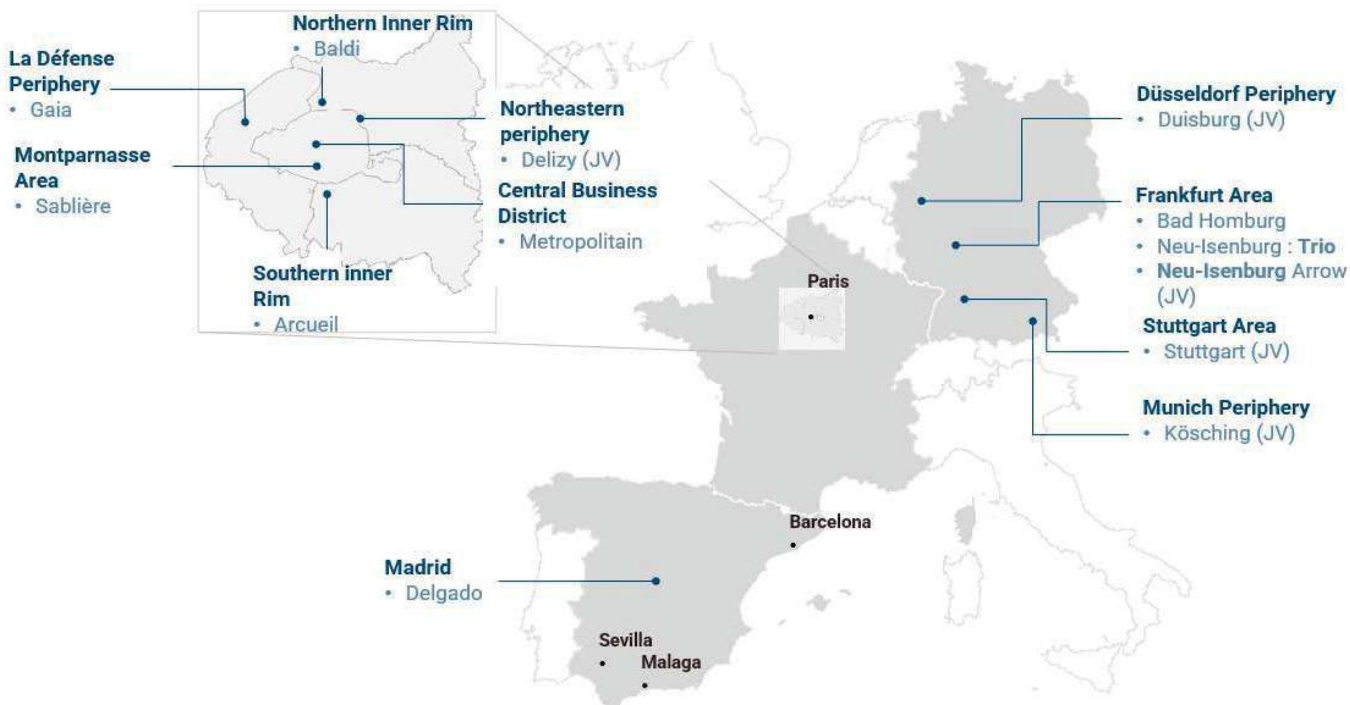
For balance sheet items as at June 30, 2024, projections, or market data, the exchange rate used is $1.4654, stable compared to the $1.4624 closing rate as at December 31, 2023.

Business Environment

The REIT owns varying interests in real estate entities which hold investment properties. Under IFRS, some of these interests are recorded as joint ventures in which the REIT holds equity. As at June 30, 2024, the REIT's property portfolio consists of ownership interest in eight properties that are consolidated and included in "Investment properties" ("IP") on the consolidated balance sheet, and partial ownership interests in five properties that are included within "Investments in joint ventures". As such, the results of these investments in joint ventures are not included in certain of our consolidated financial and operating metrics, unless specifically indicated that such metrics are presented on a "Total Portfolio" basis in which case such results are prepared on a proportionate share basis.

Together, the REIT's share of these 13 properties (6 located in France, 6 located in Germany and 1 in Spain) is approximately 1.5 million square feet of gross leasable area ("GLA")

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



Outlook

In the context of the prevailing macroeconomic and political challenges, the anticipated outlook for 2024 entails the effective recycling of certain properties in our portfolio, aimed at distributing returns to Unitholders. Drawing upon our extensive experience as seasoned investors and stewards of European office real estate, the Inovalis team is adept at navigating through dynamic economic landscapes with resilience and profitability. In the upcoming year, the REIT's management is concentrated on three primary focal points.

(ix) organic growth through leasing vacant space and renewing expiring leases;

(x) execution of the Asset Recycling Plan with the repositioning/disposition of the Sablière , Arcueil and Baldi properties, and

(xi) winding up ownership arrangements for the properties held under joint venture arrangements by selling the properties.

Portfolio Overview

The REIT's Total Portfolio by geographic region as at June 30, 2024 is as follows:

	% owned	Fair value	Bank debt	REIT's Total Portfolio Value	Gross Leaseable Area (GLA) (sq. ft.)	Contribution to Total Portfolio rental revenue	# of tenants	Occupancy rate	WALT (end of lease)	Financing maturity
Sabliere (1)	100%	25,786	13,100	5%	41,043	4%	7	54%	1.0	2.0
Baldi	100%	25,780	4,555	5%	123,657	4%	11	32%	2.4	3.3
Metropolitain	100%	101,641	52,705	20%	78,818	20%	6	100%	4.2	6.7
Arcueil	100%	72,166	47,108	14%	334,521	0%	0	0%	-	3.0
Gaia	100%	55,791	31,564	11%	119,499	14%	7	80%	4.7	2.7
Delizy (1)	50%	15,457	9,344	3%	71,618	4%	18	68%	3.4	5.2
Subtotal France		**296,621**	**158,376**	**58%**	**769,156**	**46%**	**49**	**37.2%**	**3.7**	**4.2**
Delgado	100%	38,833	22,087	8%	117,274	9%	2	100%	7.7	2.7
Trio	95%	43,962	42,017	9%	193,914	14%	7	79%	2.3	0.7
Bad Homburg	100%	18,904	none	4%	109,104	3%	4	30%	5.2	none
Duisburg (2)	50%	38,174	24,095	8%	110,210	8%	4	80%	4.2	2.7
Stuttgart (2)	50%	30,938	18,016	6%	121,416	9%	2	100%	5.0	0.2
Neu-Isenburg (2)	50%	23,341	15,710	5%	67,337	5%	6	80%	3.5	0.7
Kosching (2)	50%	16,955	9,733	3%	53,058	5%	1	100%	3.4	0.6
Subtotal Spain & Germany		**211,108**	**131,658**	**42%**	**772,313**	**54%**	**26**	**76.5%**	**4.5**	**1.3**
Total Portfolio		**507,729**	**290,034**	**100%**	**1,541,469**	**100%**	**75**	**58.7%**	**4.2**	**2.9**
IP Portfolio		**382,862**	**213,133**	**75%**	**1,117,830**	**68%**	**44**	**48.3%**	**4.3**	**3.3**
JV Portfolio		**124,866**	**76,900**	**25%**	**423,639**	**32%**	**31**	**86.2%**	**4.1**	**1.7**

(1) The Sablière property met the criteria for classification as "asset held for sale" on a dedicated line on the balance sheet
(2) Represents investments that are classified as joint ventures and subject to equity-accounting. The results included in the table above (excluding the number of tenants, occupancy metrics, weighted average lease term and financing maturity) are presented on a proportionate share basis at the REIT's ownership percentage of the related investment.

General portfolio updates

- At the **Gaia property**, despite an actual 80% occupancy, the Effective Occupancy rate is 95% until the beginning of 2025 owing to the vendor-backed rental guarantee that covers both a three-year vacancy, and the cost of rent-free periods. When the effect of this rental guarantee is considered, the Total Portfolio occupancy rate is 1.1% higher.
- At the **Trio property**, which has a 79% occupancy rate, brokers have been engaged on a retainer basis to pursue fieldwork and lease vacant space. Recent requests for lease extensions are being assessed. At the end of July 2024, the main tenant Lorenz Bahlsen confirmed its exit from the property at the end of 2025. This confirmation triggered a reviewed external valuation report showing an 18% decrease in the value of the property (€6,700; $9,818) compared to December 2023.On June 12, 2024, Management successfully extended for one year the HCOB's facility for one year until March 15, 2025 (with $1,454 deleverage paid from the restricted capex cash reserve to de-lever the property). During the interim period between March and June 2024, the senior lender applied penalty interest at 8.6%, representing $970.
- The **Delgado property** in Spain is fully leased to two blue-chip tenants on leases maturing at the end of 2024 and in June 2029. In Q1 2024, Management successfully extended a lease on 50% of the leasable areas for 10 years (of which 5 are firm), securing an 8-year WALT (4.3 years including break options). In addition, the property intends to capitalize on its strong environmental performance by obtaining the LEED Platinum certification in Q3 2024.
- At the **Duisburg property**, the 20% vacancy rate is temporary providing the opportunity to perform tenant improvement work for the new tenant with which a 10-year firm lease effective October 1, 2024 has been entered into. As the main tenant Hitachi is continuously reducing its footprint on the building despite a lease maturing in 2027. Rent-free periods and tenant improvements costs are partially offset by early termination penalties negotiated with Hitachi. Recent leasing activity showcased the 6.2-year WALT (once the new lease is effective) is attractive to potential buyers. Refer to the "*Portfolio Overview – Joint Venture Agreement Wind Up"* section of this MD&A.
- At the **Stuttgart property,** Management successfully leased 16,600 sq.ft. of space to the main tenant Daimler effective

June 1, 2024 with the same maturity as Daimler's main lease (3 years plus 2 optional years). Negotiations are underway with the tenant to waive these break options. The expansion of Daimler's footprint on this property belies the downsizing office trend. Refer to the "*Portfolio Overview – Joint Venture Agreement Wind Up"* section.

- At the **Neu-Isenburg property**, refinancing of the mortgage loan has been secured until February 2025, allowing an extended period for management to assess the best possible strategy for this property. Prospective tenant interest for the 2,450 sq.ft. office areas to be left vacant in May 2025 are being assessed.
- The **Bad Homburg property** is senior debt-free. Selective capital expenditures to upgrade the lobby are taking place and are expected to support leasing in 2024, following the departure of the main tenant in January 2024. Leasing demand is increasing in the area and several prospective tenants have shown interest in the property. Occupancy will need to increase from 44% to 80% , before the property can be refinanced.

Asset Recycling Plan

- The REIT's strategy is to sell mature assets where it believes value can be maximized. The main tenants of the Baldi and Sablière properties vacated the properties in 2021 positioning the REIT to proceed with plans to divest of these properties. In respect of the Sablière property, which is located in downtown Paris, an offer from Inovalis S.A., the manager and as such a "related party" of the REIT, was received in Q2 2024, and has been submitted to Unitholders' for approval at a Special Meeting to be held on September 4, 2024. If the sale of the Sablière property is approved by Unitholders, the REIT expects a definitive agreement to be entered into shortly thereafter and the disposition to be completed within as little as 12 months, all subject to the terms and conditions described in the management information circular for the Special Meeting. The Sablière property has been classified, for its fair value of $25,645 (€17,500) as an Asset Held for Sale on a separate line of the REIT's balance sheet. A disposition of the Sablière property at this price could generate approximately $12.5 million of cash. There is no assurance, even if approved by Unitholders, that the sale of the Sablière property will be completed.
- For the **Baldi property**, the Plaine Commune (which managed zoning in this suburb) recently confirmed the future change of zoning which could be effective as early as Q1 2026 allowing the conversion of the building into student housing, which should facilitate the marketing of this asset. The REIT seeks to maximize exit value in respect of the **Baldi property** and attract investors that desire to buy a property with a building permit ready to be granted. With an 18% LTV, a sale of this asset at fair market value ($25,780; €17,400), would generate approximately $18 million of cash.

  To offset the impact of the vacancy in these properties and to mitigate risk, management is considering short and longer-term rental opportunities until the properties are redeveloped or sold. In Q1 2024, a new two-year 6,100 sq.ft. lease was signed at Sablière and all the vacant parking units on the Baldi property have been leased.
- Management is advancing plans to redevelop or sell the vacant 335,000 sq.ft. **Arcueil property,** located five minutes from the southern Paris ring road. Management confirmed its engagement with a developer and a social-housing player, in an exclusive agreement. Arcueil city hall approved the redevelopment project, and building permit application and zoning change is expected to follow. A promise to sale may be signed by the end of September 2024, with a final exchange contract to be entered into as early as Q4 2025. Pursuant to these advanced negotiations and previous discussions with the senior lender, the requirement for debt amortization (presently around $4.2 million per year) could be removed.

Joint Venture Agreement Wind Up

The REIT is furthering plans to acquire or dispose of its current joint venture interests in accordance with their respective agreements to simplify its corporate structure and governance.

The initial terms for four of the five jointly held properties have now concluded and the REIT seeks to sell its interests in the Duisburg and Stuttgart properties in Germany, which benefit from strong quality tenants and long WALT.

After an initial campaign, the marketing of **the Stuttgart property** has been paused to allow time for the waiver of two break options on the main tenant's lease. Marketing is expected to be reinstated in September, ahead of the German real estate fair ExpoReal. The joint venture agreements for the other two properties (Neu-Isenburg and Kosching) have been further extended to the beginning of 2025, in line with the current financing and discussions to be held with the single tenant in the Kosching property. The Delizy joint venture agreement does not mature until 2029.

Tenant Profile

As at June 30, 2024, the REIT had 44 tenants across the IP Portfolio compared to 41 tenants, as at December 31, 2023, and 75 tenants across the Total Portfolio, compared to 73, as at December 31, 2023.

All lease contracts in France, Germany and Spain have rental indexation. In France, this is based on the Construction Costs Index (*Indice du Coot de la Construction* "ICC"), the average Tertiary Activities Rent Index (*Indice des Loyers des Activites Tertiaires* "ILAT"). The Consumer Price Index – CPI, or the German or Spanish Consumer Price Index provides for rent indexation in those jurisdictions. Rent is increased annually to reflect the rising cost of living which protects returns to Unitholders.

Investment Property Portfolio

The following table shows the five largest tenants across the Investment Property Portfolio as at June, 2024. The tenant base is well diversified by industry segment, with many national and multinational tenants.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
The Lorenz Bahlsen Snack-World	Food and beverage	12%	86,501	7.7%	1.5
ITP Aero	Aeronautics	7%	59,159	5.3%	10.5
Indra	IT systems	7%	58,115	5.2%	4.9
Bureau Veritas	Consulting and Advisory	9%	38,998	3.5%	2.5
Time matters	Logistics	3%	25,549	2.3%	4.8
Top 5 tenants		**38%**	**268,322**	**24.0%**	**4.7**
Other tenants	Diversified	62%	271,210	24.3%	3.9
Total occupied space		**100%**	**539,532**	**48.3%**	**4.3**
Vacant			578,299	51.7%	
IP Portfolio			**1,117,830**	**100.0%**	

Total Portfolio

The following table shows the REIT's five largest tenants across the Total Portfolio at June 30, 2024, including interests that the REIT has in properties held in joint ventures.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
Daimler Truck	Manufacturer	9%	117,431	7.6%	4.9
The Lorenz Bahlsen Snack-World	Food and beverage	8%	86,501	5.6%	1.5
ITP Aero	Aeronautics	5%	59,159	3.8%	10.5
Indra	Aeronautics	5%	58,115	3.8%	4.9
Hitachi Power	Manufacturer	5%	54,354	3.5%	3.5
Top 5 tenants		**32%**	**375,560**	**24.3%**	**4.8**
Other tenants	Diversified	68%	528,983	34.4%	3.8
Total occupied space		**100%**	**904,543**	**58.7%**	**4.2**
Vacant			636,925	41.3%	
Total Portfolio			**1,541,469**	**100.0%**	

No tenant represents more than 10% of the REIT's rental revenue of the Total Portfolio.

Occupancy and Leasing Activity

The change in occupancy and leasing activity in the IP Portfolio by geographic region over the semester ended June, 2024 was as follows:

IP Portfolio	Occupied space (sq. ft.)				Occupancy rate	Committed space (sq. ft)	Total occupied space (sq. ft)	Committed occupancy
	January 1, 2024	New leases	Lease Expiries	June 30, 2024				
France	235,991	13,294	(12,157)	237,128	34.0%	-	237,128	34.0%
Germany	251,235	-	(66,107)	185,128	61.1%	-	185,128	61.1%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total IP Portfolio	**604,500**	**13,294**	**(78,264)**	**539,530**	**48.3%**	**-**	**539,530**	**48.3%**

The change in occupancy and leasing activity in the Total Portfolio, including joint ventures at the REIT's proportionate ownership interest, by geographic region over the semester ended June 30, 2024, are as follows:

Total Portfolio	Occupied space (sq. ft.)				Occupancy rate	Committed space (sq. ft) (1)	Total occupied space (sq. ft)	Committed occupancy
	January 1, 2024	New leases	Lease Expiries	June 30, 2024				
France	284,786	13,660	(12,525)	285,921	37.2%	-	285,921	37.2%
Germany	586,926	16,657	(102,233)	501,350	76.5%	19,863	521,213	79.6%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total Portfolio	**988,986**	**30,318**	**(114,758)**	**904,546**	**58.7%**	**19,863**	**924,409**	**60.0%**

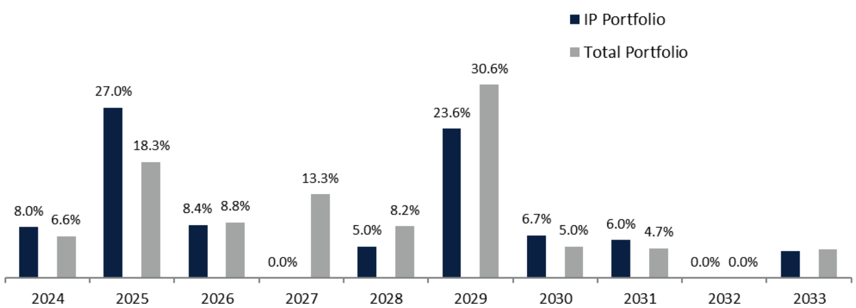
(1) The committed space relates to the new lease at the Duisburg property, effective October 1, 2024

New Leases Signed During the Quarter:

(xii) The main tenant Daimler Truck increased its footprint at the Stuttgart property, by leasing over 16,600 sq.ft. of vacant or to-be- vacant areas from several tenants, thus extending the lease duration for an additional 5 years (including 2 break options after 3 firm years, that management is negotiating have waived).

Lease Maturities

Lease Maturity Profile
(in % of total GLA as at June 30, 2024)



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

The average remaining lease terms, not including tenant early termination rights, in both the IP Portfolio and the Total Portfolio are 4.3 years (4.2 years for the Total Portfolio). Assuming all tenants exercise their early termination rights and leave at the earliest possible date, which the REIT believes is unlikely, the average remaining lease term in the IP portfolio is 2.9 years (Total Portfolio 3.0 years).

The 2024 maturities concern 55,760 sq. ft., of which the effective termination notices have been received for a total of 19,440 sq. ft., reflecting mostly the pending departure of one tenant in the Metropolitain property (12,200 sq.ft.).

The 2025 maturities relate mostly to the Trio property's anchor tenant, Lorenz Bahlsen. In July 2024, the tenant confirmed its departure from the premises at lease term at the end of December 2025.

Refer to the "*Portfolio Overview - General Property Updates"* section for leasing initiatives underway.

Discussion of Financial Performance

Non-GAAP Financial Measures and Other Measures

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

"**Accretive Acquisition**" means that 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) amortization of fair value adjustment on assumed debt, (iv) capital expenditures, excluding those funded by a dedicated cash reserve or capex financing, and (v) amortization of transaction costs on mortgage loans.

"**Adjusted Funds from Operations I Unit**" or "**AFFO I 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, if any, and Exchangeable Securities, 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) other long-term liabilities, and (iv) 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 CanCorpEurope, in the form of interest-bearing notes, non-interest bearing notes and variable share capital.

"**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 2023 with one exception pertaining to the unrealized gain or loss on the REIT's cash in Euros which are domiciled in Canadian financial institutions.

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.

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 Units, with the same features and distribution rights, that are economically equivalent to the distribution paid to Unitholders, if any.

"**Funds from Operations I Unit**" or "**FFO I 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.

"**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 six-month periods ended June 30, 2024 and 2023, based on proportionate consolidation figures including REIT's interest in joint ventures (see the "*Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements" section*), is as follows:

	Three months period ended June 30,		Six months period ended June 30,	
(in thousands of CAD$)	2024	2023	2024	2023
Net (loss) income attributable to the Trust **(including share of net earnings from investments in joint ventures)**	(20,634)	3,002	(34,554)	4,624
Add/(Deduct):				
Net change in fair value of investment properties	24,466	5,811	36,460	4,010
Net change in fair value of financial derivatives	8	205	413	1,757
Adjustment for property taxes accounted for under IFRIC 21	(958)	(885)	1,954	1,802
Distributions on Exchangeable securities	-	98	-	194
Net change in fair value of Exchangeable securities	(394)	(525)	(779)	(366)
Foreign exchange loss (gain)	(0)	(6)	-	0
Deferred income tax recoveries	(1,307)	(131)	(1,231)	124
Non-controlling interest	(454)	(25)	(493)	(29)
FFO	**727**	**7,544**	**1,770**	**12,116**
Add/(Deduct):				
Non-cash effect of straight line rents	98	35	289	28
Cash effect of the rental guarantee	175	247	346	549
Amortization of transaction costs on mortgage loans	64	(173)	127	120
Capex	(1,172)	(388)	(1,893)	(874)
AFFO	**(108)**	**7,265**	**639**	**11,939**
FFO / Units (diluted) *($)*	**0.02**	**0.22**	**0.05**	**0.36**
AFFO / Units (diluted) *($)*	**0.00**	**0.22**	**0.02**	**0.35**

Overview - GAAP and Non-GAAP

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

	June 30, 2024		December 31, 2023	
Operating metrics	**June 30, 2024**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Number of properties	8	13	8	13
Gross leasable area (sq. ft.)	1,117,830	1,541,469	1,117,830	1,540,218
Occupancy rate - end of period	48.3%	58.7%	54.1%	64.2%
Weighted average lease term	4.3 years	4.2 years	3.3 years	3.5 years
Average initial yield (1)	3.8%	4.9%	5.1%	5.3%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available cash (3)	$6,428	$8,166	$12,489	$15,290
Fair value of investment properties	$357,218	$482,082	$412,967	$541,001
Debt-to-gross book value (2)	48.0%	55.3%	45.6%	52.1%
Debt-to-gross book value, net of cash (2)	47.2%	54.6%	44.2%	50.8%
Weighted average loan term to maturity	3.0 years	2.6 years	3.2 years	2.9 years
Weighted average interest rate (2)	4.27%	4.35%	2.62%	2.75%
Interest coverage ratio (2)	0.9 x	1.1 x	2.3 x	2.4 x

(1) Calculated on annualized Net Rental Income (based on Net Rental Income for the year-to-date period).
(2) As defined in the section *"Non-GAAP Financial Measures and Other Financial Measures"*.
(3) See the section *"Capital Management"* for further discussion on the composition and usefulness of this metric.

	Three months ended June 30,		Six months ended June 30,	
(thousands of $ except per Unit and other data)	**2024**	**2023**	**2024**	**2023**
Financial performance metrics				
Rental revenue	4 062	7 571	8 693	14 896
Rental revenue - Total Portfolio (1)	6 067	9 806	12 824	19 234
Net rental income	4 616	10 340	5 528	14 302
Net rental income - Total Portfolio (1)	6 799	12 473	10 435	18 108
Net income, attributable to the Trust	(20 140)	3 002	(33 718)	4 624
Funds from Operations (FFO) (1) (2)	727	7 544	1 770	12 116
Adjusted Funds from Operations (AFFO) (1) (2)	(108)	7 265	639	11 939
FFO per Unit (diluted) (1) (2)	0,02	0,22	0,05	0,36
AFFO per Unit (diluted) (1) (2)	0,00	0,22	0,02	0,35
Distributions				
Declared distributions on Units and Exchangeable securities	-	3 479	-	6 955
Declared distribution per Unit	-	0,10	-	0,21
FFO payout ratio (1) (2)	0,0%	46,1%	0,0%	57,4%
AFFO payout ratio (1) (2)	0,0%	47,9%	0,0%	58,3%

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

Consolidated Financial Information

(in thousands of $)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Rental revenue	4,062	7,571	8,693	14,896
Property operating cost recoveries	1,638	1,805	2,829	3,286
Property operating costs	(2,053)	(1,647)	(7,156)	(6,496)
Other revenues	977	2,625	1,171	2,643
Other property operating expenses (income)	(8)	(14)	(9)	(27)
Net rental income	**4,616**	**10,340**	**5,528**	**14,302**
General and Administration expenses	(1,383)	(1,571)	(3,167)	(3,424)
Foreign exchange gain	-	61	-	55
Share of net loss from joint ventures	(4,044)	(3,763)	(3,174)	(3,479)
Operating earnings	**(811)**	**5,067**	**(813)**	**7,454**
Net change in fair value of investment properties	(19,320)	(960)	(31,305)	654
Net change in fair value of financial derivatives	(10)	(201)	(415)	(1,753)
Net change in fair value of Exchangeable securities	394	525	779	366
Finance income	704	1,104	1,845	2,075
Finance costs	(2,334)	(1,985)	(5,041)	(3,318)
Distributions on Exchangeable securities	-	(98)	-	(194)
(Loss) income before income taxes	**(21,377)**	**3,452**	**(34,950)**	**5,284**
Current income tax expense	(40)	(10)	(83)	(23)
Deferred income tax expense	823	(465)	823	(666)
Total income tax recovery	**783**	**(475)**	**740**	**(689)**
Net (loss) income	**(20,594)**	**2,977**	**(34,210)**	**4,595**
Non-controlling interest	(454)	(25)	(492)	(29)
Net (loss) income attributable to the Trust	**(20,140)**	**3,002**	**(33,718)**	**4,624**

Net Rental Income

For the IP Portfolio, NOI for Q2 2024, decreased significantly to $4,616 (€3,144), compared to the $10,430 (€7,154) NOI for Q2 2023 which had been boosted by the $2,316 indemnity negotiated upon Arcueil's single tenant departure. The Q2 2024 NOI is in line with expectations regarding the full vacancy of the Arcueil property since July 1, 2023 and the departure of the main tenant in the Bad Homburg property at the end of January 2024.

For the six months ended June 30, 2024, the IP Portfolio NOI was $5,528 (€3,765), compared to $14,302 for the same period of 2023, the decrease being mostly attributable to the above-mentioned Arcueil indemnity and to the decrease in the occupancy rate resulting from the tenant departures at the Arcueil and Bad Homburg properties.

The "other revenues" line in Q2 2024 included the $646 indemnity negotiated upon the early departure of a tenant in the Trio property (6% occupancy) representing the rental revenue and property operating costs recoveries until the end of its original lease agreement.

In accordance with IFRIC 21, the annual property taxes for the REIT's properties located in France are expensed in full in the first quarter of the fiscal year. Realty tax expenses for the year are approximatively $3,475. These taxes are paid in the fourth quarter. This results in a reduction to Net Rental Income in the first quarter of each year with relatively higher Net Rental Income in the subsequent three quarters.

The impact of IFRIC 21 on Net Rental Income for the three and six months ended June 30, 2024 and 2023 is set out below.

In Canadian dollars (in thousands)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Variance	2024	2023	Variance
Net rental income	4,616	10,340	(5,724)	5,528	14,302	(8,774)
IFRIC 21 impact	(858)	(786)	(72)	1,749	1,598	151
Adjusted net rental income - IFRIC 21 (1)	3,758	9,554	(5,796)	7,277	15,900	(8,623)

In Euros (in thousands)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Variance	2024	2023	Variance
Net rental income	3,144	7,154	(4,011)	3,765	9,896	(6,131)
IFRIC 21 impact	(584)	(544)	(41)	1,191	1,106	86
Adjusted net rental income - IFRIC 21 (1)	2,559	6,611	(4,051)	4,956	11,001	(6,045)

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

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

In Canadian dollars (in thousands)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Variance	2024	2023	Variance
Net rental income	4,616	10,340	(5,724)	5,528	14,302	(8,774)
Net rental income - proportionate share of JVs	2,183	2,133	50	4,907	3,806	1,101
IFRIC 21 impact	(958)	(885)	(73)	1,954	1,802	152
Adjusted net rental income - IFRIC 21 - including proportionate share of JVs (1)	5,841	11,588	(5,747)	12,389	19,910	(7,521)

General and Administrative Expenses

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

G&A expenses for Q2 2024 ($1,383) and the six-month period ended June 30, 2024 ($3,167) showed a decrease of 12% and 8% respectively compared to the same periods of 2023. G&A are mostly in line with the annual budget.

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

	Three months ended June 30,			Six months ended June 30,		
	2024	2023	Variance	2024	2023	Variance
Asset management fees – Inovalis SA	(502)	(548)	46	(1,001)	(1,101)	100
Less: amount reinvoiced to joint ventures	293	291	2	584	579	5
	(209)	**(257)**	**48**	**(417)**	**(522)**	**105**
Professional fees for accounting. tax and audit	(547)	(642)	95	(1,419)	(1,509)	90
Legal expenses	(186)	(71)	(115)	(337)	(205)	(132)
Trustee fees	(81)	(75)	(6)	(140)	(178)	38
Travel expenses	(135)	(117)	(18)	(219)	(235)	16
Governance expenses	(64)	(101)	37	(158)	(175)	17
Bank and depositary expenses	(65)	(159)	94	(141)	(220)	79
Listing, transfer agent and publication fees	(9)	(39)	30	(23)	(54)	31
Other general and administrative expenses	(87)	(110)	23	(313)	(326)	13
Total G&A expenses	**(1,383)**	**(1,571)**	**188**	**(3,167)**	**(3,424)**	**257**

Share of Net Income from Joint Ventures

The performance of the investments in joint ventures includes the share of net income from joint ventures, the interest on loans granted to joint ventures (presented in the finance income line).

The share of net loss from joint ventures for Q2 2024 was $4,044, compared to a loss of $3,174 for the same period last year, mostly driven by the decrease in fair values of properties in line with the valuation reports showing continuous capitalization rate decompressions.

Net Change in Fair Value of IP Portfolio

The net change in fair value in IP portfolio for the three and six-month periods ended June 30, 2024 were ($19,320) and ($31,305) respectively (compared to ($920) and $654 for the same periods last year). The 2024 figures were impacted by the $14,360 (€9,800) Q1 adjustment of the Arcueil fair value to reflect the present offer for redevelopment, and the significant decrease of the Trio fair value ($9,818; 18%) to reflect the recently confirmed departure of the main tenant at the end of 2025.

Refer to the paragraph *"IP Portfolio"* in the "*Consolidated balance sheet*" section of this document for further details on the valuation methodology.

Net Change in Fair Value of Exchangeable Securities

Exchangeable Securities are recorded at fair value based on the market price of the Units. They are reflected as a liability on the REIT's consolidated balance sheet, and therefore a decrease of the REIT's Unit price reduces the value of the liability. The closing price of a REIT Unit on the Toronto Stock Exchange was $0.87 on June 30, 2024, compared to $1.70 at close of December 31, 2023, resulting in a loss of $394 and $779 in the net change in fair value of Exchangeable Securities respectively in the second quarter and throughout the first half of 2024.

Finance Income

In Q1 2024, finance income included essentially $703 interest on loans granted to joint ventures.

For the six months ended June 2024, finance income included $1,391 interest on joint venture loans and $436 cashed-in income related to the sale of forward currency exchange contracts, previously used to cover distribution to Unitholders.

Finance Costs

The $2,334 finance costs in Q2 2024 included $2,213 (compared to $1,938 for Q2 2023) related to interest on mortgage loans and lease liabilities, heavily impacted by the increase in borrowing costs on unhedged financing contracts.

For the six-month period ended June 2024, finance costs were $5,041 compared to $3,318, including $4,841 interests on mortgage and lease liabilities (compared to $3,181 for the same period in 2023), reflecting the increase in financing costs and the 3-month penalty interest on Trio mortgage loan, prior to concluding the one-year extension in June 2024.

Distributions on Exchangeable Securities

Distributions to the holders of Exchangeable Securities are calculated in a manner that provides a return that is economically equivalent to the distributions paid to the Unitholders, if any. Upon the suspension of distribution to Unitholders in Q4 2023, distributions on Exchangeable Securities were also suspended.

Selected Three-Year Information

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

	For the three months ended June 30,				
(in thousands of CAD$)	**2024**	**2023**	**2022**	**2024 vs. 2023**	**2023 vs. 2022**
Rental revenue	4,062	14,896	7,325	(10,834)	7,571
Net change in fair value of investment properties	(19,320)	654	1,614	(19,974)	(960)
Finance costs	(2,334)	(1,985)	(1,891)	(349)	(94)
Net loss income	(20,594)	2,977	1,618	(23,571)	1,359
Net (loss) income attributable to the Trust	(20,140)	3,002	1,622	(23,142)	1,380

Consolidated Balance Sheet

Assets	As at June 30, 2024	As at December 31, 2023	Variance
Non-current assets			
Investment properties	357,218	412,967	(55,750)
Investments in joint ventures	38,926	41,632	(2,706)
Other financial assets	404	3,333	(2,929)
Restricted cash	3,288	4,973	(1,685)
Total non-current assets	**399,836**	**462,905**	**(63,070)**
Current assets			
Trade receivables and other financial assets	9,029	7,134	1,895
Derivative financial instruments	71	527	(456)
Other current assets	4,063	3,809	254
Restricted cash	364	196	168
Cash	6,428	12,489	(6,061)
Total current assets	**19,955**	**24,155**	**(4,200)**
Asset held for sale	25,645	-	25,645
Total assets	**445,435**	**487,060**	**(41,625)**

Liabilities and Unitholders' equity	As at June 30, 2024	As at December 31, 2023	Variance
Liabilities			
Non-current liabilities			
Interest-bearing loan	186	186	-
Mortgage loans	52,938	65,710	(12,772)
Lease liabilities	92,970	96,179	(3,209)
Tenant deposits	2,102	2,224	(122)
Derivative financial instruments	-	110	(110)
Deferred tax liabilities	477	1,295	(818)
Total non-current liabilities	**148,673**	**165,704**	**(17,031)**
Current liabilities			
Interest-bearing loan	56	28	28
Mortgage loans	60,385	50,524	9,861
Lease liabilities	6,843	6,819	24
Tenant deposits	180	168	12
Exchangeable securities	816	1,595	(779)
Derivative financial instruments	484	377	107
Trade and other payables	10,259	7,356	2,903
Provisions	766	765	1
Income tax payable	2,066	2,175	(109)
Deferred income	1,180	1,184	(4)
Total current liabilities	**83,035**	**70,991**	**12,044**
Total liabilities	**231,708**	**236,695**	**(4,987)**
Equity			
Trust units	288,156	288,156	-
Retained earnings	(86,948)	(53,230)	(33,718)
Accumulated other comprehensive income	12,057	11,492	565
Total Equity	**213,265**	**246,418**	**(33,153)**
Non-controlling interest	462	947	(485)
Total liabilities and equity	**445,435**	**484,060**	**(38,625)**

Selected Consolidated Balance Sheet Information

	For the period ended				
(in thousands of CAD$)	June 30, 2024	Dec. 31, 2023	Dec. 31, 2022	2024 vs. 2023	2023 vs. 2022
Fair value of investment properties - IP Portfolio [(1)]	382,862	412,967	437,422	(30,105)	(24,455)
Fair value of investment properties - Total Portfolio [(1)]	507,726	541,001	579,623	(33,275)	(38,622)
Investment in joint ventures - carrying value	38,926	41,632	55,693	(2,706)	(14,061)
Total assets	445,435	484,060	561,107	(38,625)	(77,047)
Total debt [(2)]	213,378	219,446	243,093	(6,068)	(23,647)
Total non-current liabilities	148,673	165,704	202,826	(17,031)	(37,122)
Unitholders' equity	213,265	246,418	286,979	(33,153)	(40,561)
Number of outstanding Units	32,594,711	32,594,711	32,778,699	-	(183,988)

(1) Including the asset held for sale.
(2) Includes the current and non-current portion of interest-bearing loan, mortgage loans, lease liabilities.

IP Portfolio

The fair value of the REIT's IP Portfolio as at June 30, 2024 was $357,218 (€243,767), a decrease compared to $412,967 (€282,387) as at December 31, 2023, mostly attributable to changes in fair values of the Arcueil property ($14,320) to reflect the present offer for the redevelopment and of the Trio property ($9,818) to adjust to current market and lease renewal assumptions on this asset. In addition, the $25,845 fair value of the Sablière property was classified on a separate line "Asset Held for Sale" on the balance sheet in accordance with the plans to sell the property.

Management uses the Direct Capitalization Method ("DCM") to determine the fair value of all the REIT's properties in France, Germany and now Spain (previously, a discounted cash flow ("DCF") method was used for the Spanish property). The values are supported by external appraisals of the total portfolio as at June 30, 2024, performed in conformity with the requirements of the Royal Institution of Chartered Surveyors Standards, and for the French properties, in conformity with the Charte de l'expertise immobiliere, as well as European Valuation Standards of TEGoVA (the European Group of Valuers' Association) and IFRS 13 Fair Value Measurement.

Investments in Joint Ventures

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

- the Duisburg property (50%), through a joint venture agreement maturing in December 2024 if no sale occurs or a buy-out strategy has not been negotiated,
- the Stuttgart property (50%), through a joint venture agreement maturing in August 2024 correlated with the senior financing that Management is negotiating to extend,
- the Delizy property (50%), through a joint venture agreement maturing in 2029, correlated with the lease liability contract with the senior bank,
- the Neu-Isenburg property (50%), through a joint venture agreement maturing in February 2025, and

(xiii) the Kosching property (50%), through a joint venture agreement maturing in January 2025.

Refer to the section "*Portfolio Overview – Joint Venture Agreement Wind Up*" for details of the REIT's plans for each property its joint venture arrangement matures.

The REIT's investment in joint ventures was $38,926 as at June 30, 2024 in increase compared to $41,632 as at December 31, 2023, due to the share of net loss following the decrease of fair value of properties in line with continuous capitalization rate decompression and current real estate market conditions.

Trade Receivables and Other Financial Assets

Trade receivables and other financial assets as at June 30, 2024 amounted to $9,029, relatively stable compared to $7,134 at December 31, 2023, including $4,900 of interest receivables on joint venture loans, an increase of $1,400 compared to December 31, 2023 as interest payments have been deferred on most joint venture properties as most of the cashflow is allocated to new financing terms (amortization or cash reserve payments) or to tenant incentives for reletting.

Trade and Other Payables

Trade and other payables as at June 30, 2024 amounted to $10,259 compared to $7,356 as at December 31, 2023. Pursuant to IFRIC 21, the trade payables amount in Q2 2024 included approximately $1,742 (35%) in property taxes accounted for the whole year.

Capital Management

Sources of Capital

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

Capital Management Metrics

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

	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	June 30, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Capital management metrics				
Debt-to-gross book value	48.0%	45.6%	55.3%	52.1%
Debt-to-gross book value, net of cash	47.2%	44.2%	54.6%	50.8%
Debt due in the next 12 months (1)	67,228	44,451	111,204	79,758
Weighted average loan term to maturity	3.0 years	3.2 years	2.6 years	2.9 years
Weighted average interest rate (1)	4.27%	2.62%	4.35%	2.75%
Interest coverage ratio (2)	0.8	2.3	1.0	2.4

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

In respect of the IP Portfolio, the Trio mortgage loan, representing $42,017, originally maturing in March 2024, has been extended with a new maturity set for March 15, 2025. In addition, due to the classification as Asset Held for Sale of the Sablière property, the related $13,100 mortgage loan was also presented as short-term liability as at June 30, 2024, despite a maturity of the financing in 2026.

In respect of the JV portfolio, the mortgage loans on the Stuttgart, Neu-Isenburg and Kosching properties, extended or refinanced for one year in Q4 2023 and Q1 2024, respectively, have also been classified as current liabilities as at end of June 30, 2024, for a total of $43,457.

Financing covenants

Since June 2022, further to ongoing redevelopment scenarios or arbitrages anticipated on the Baldi property, the debt service coverage ratio covenant criteria in respect of the financing on the Baldi property has not been met. This occurred because the REIT cannot simultaneously maintain minimum occupancy requirements of the covenants and vacate the building to fulfill redevelopment plans. Consequently, the Baldi mortgage loan has been classified as a $4,555 current liability on the balance sheet as at June 30, 2024.

Throughout the periods in which the occupancy covenant for Baldi has been breached, the REIT has been in communication with the lenders to refinance some of the loans and mitigate the breached covenants. Although there has been no evidence that would indicate that either of the lenders intend to call the principal on the loans despite the breach of covenants, the lenders may enforce their rights and the applicable loan amounts may become immediately due and payable. See *"Risks and Uncertainties"* in this MD&A.

Debt-to-Gross Book Value

The debt-to-gross book value ratio is a non-GAAP measure that considers the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on an IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) other long-term liabilities, and (iv) 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.

Debt-to-gross book value	**Consolidated basis - IP Portfolio**		**Proportionate share basis - Total Portfolio**	
	June 30, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Lease liabilities	99,813	102,998	109,158	112,579
Mortgage loans	113,323	116,234	180,876	184,795
Interest-bearing loans	186	186	533	(4,487)
Deferred tax liabilities	477	1,295	4,761	5,977
Total debt outstanding	**213,799**	**220,713**	**295,328**	**298,864**
Less : Cash	(6,428)	(12,489)	(8,009)	(15,290)
Debt net of cash	**207,371**	**208,224**	**287,319**	**283,574**
Gross book value	445,435	484,060	534,052	573,726
Gross book value. net of cash	439,007	471,571	526,043	558,436
Debt-to-gross book value	**48.0%**	**45.6%**	**55.3%**	**52.1%**
Debt-to-gross book value, net of cash	**47.2%**	**44.2%**	**54.6%**	**50.8%**

The debt-to-gross book value ratio slightly increased compared to the period ending December 31, 2023, at 48.0% for the IP Portfolio (47.2% net of cash), due to decreasing fair value of properties. The ratio is within the REIT's mandated threshold of maximum 60% debt to the gross book value of assets. For the Total Portfolio, the debt-to-gross book value ratio increased similarly over Q2 2024 at 55.3% (54.6% net of cash).

Interest Coverage Ratio

Interest coverage ratio	**Consolidated basis - IP Portfolio**		**Proportionate share basis - Total Portfolio**	
	6 months ended June 30, 2024	**12 months nded December 31, 2023**	**6 months ended June 30, 2024**	**12 months nded December 31, 2023**
Net rental income	5,528	23,216	10,435	30,895
Arcueil indemnity	(646)	(2,320)	(1,693)	(2,320)
Net rental income adjusted	**6,631**	**20,896**	**10,696**	**28,575**
General and Administrative expenses	(3,167)	(6,405)	(4,063)	(7,958)
Interest income (2)	455	1,328	455	1,328
Total income	**3,919**	**15,819**	**7,088**	**21,945**
Interest expense (1)	(4,969)	(6,983)	(6,786)	(9,303)
Interest coverage ratio	**0.8**	**2.3**	**1.0**	**2.4**

(1) Includes interest on mortgage loans, leases liabilities, swap interest and amortization of financing costs.

(2) Excluding interest income on joint venture loans

The interest coverage ratio on the IP portfolio, excluding the positive impact on the net rental income of indemnity received on the Arcueil, Duisburg and Trio properties recognized in Q2 2023, Q1 2024 and Q2 2024 respectively, decreased significantly over the six months ended June 30, 2024, impacted by higher interest rates on unhedged debts and recently refinanced mortgages. In addition, interest expense included $970 of penalty interest paid on the Trio loan to the senior lender HCOB.

Weighted-Average Interest Rate

The weighted average interest rate across the IP Portfolio debt increased to 4.27% and 4.35% for the Total Portfolio compared to 2.62% and 2.75% at December 31, 2023. Following the recent refinancing of Stuttgart, Neu-Isenburg and Kosching, most of the REIT's debt bears interest at a floating rate indexed on the EURIBOR rates. In addition, the Trio loan 8.6% penalty interest from March 15 to the June 12 extension date represents an annual interest rate of 5.48%. Management is seeking to negotiate debt service reduction with senior lenders.

Debt Profile

Debt profile as at June 30, 2024

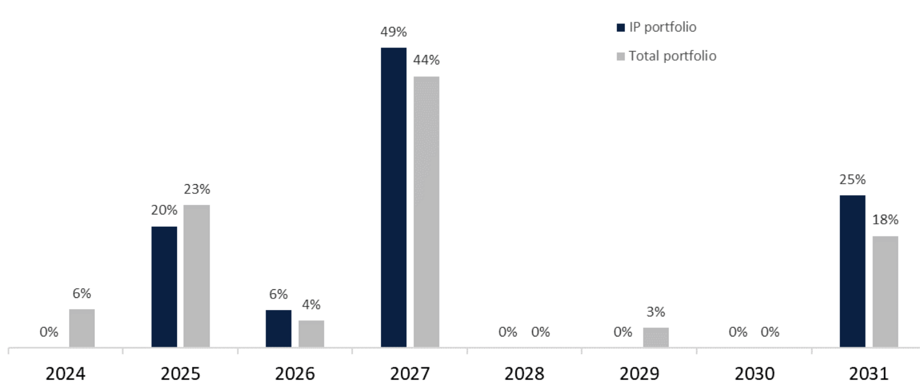
	IP Portfolio		Total Portfolio	
	Carrying value	**%**	**Carrying value**	**%**
Lease liabilities	**99,813**	47%	**109,158**	37%
Mortgage loans	**113,323**		**180,876**	
of which : Amortized mortgage loan	*81,759*	*38%*	*91,491*	*32%*
Bullet mortgage loan	*31,564*	*15%*	*89,385*	*31%*
Total	**213,136**	**100%**	**290,034**	**100%**

As at June 30, 2024, the debt on the IP Portfolio is composed of 53% mortgage loans and 47% lease liabilities, under contracts expiring from 2025 (Trio) to 2031 (Metropolitan). The average term of repayment of financing is 3.0 years (2.6 years on the Total Portfolio). Lease liabilities contracts are not bound by loan-to-value or debt-service-coverage-ratio covenants.

The REIT repays principal amounts quarterly on both mortgage and lease liabilities. This represents 85% of the REIT's IP Portfolio financing, excluding bullet mortgage loans (69% on the Total Portfolio).

Leasehold and Mortgage Financing Maturity Profile

(in % of amount outstanding as at June 30, 2024)



As at June 30, 2024, the Baldi and Sablière mortgage loans mature in June 2026 and October 2027 respectively and have been presented as such in the above graph. However, due to the lender's right to repayment upon breach of the covenant on the Baldi property, and due to the asset held for sale classification of the Sablière property, these loans have been classified as a current liability for a total amount of $17,655.

The 2027 maturity relates mostly to the lease liability contract on the Arcueil property with the bank, in addition to Delgado and Gaia financings. Since the sole tenant of Arcueil left the premises on June 30, 2023, management has advanced plans for the redevelopment and continues to keep its senior lenders informed on next steps. Following the approval from Arcueil City Hall of the redevelopment project and the reduced uncertainty on the expected sale price and timing of sale, management seeks to pursue negotiations with the senior lender for the freeze of the quarterly amortization (which currently represents around $4.2 million per year). The Arcueil financing is a finance lease, and consequently there is no breach under such financing arrangement as long as the debt installments are paid.

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

Equity

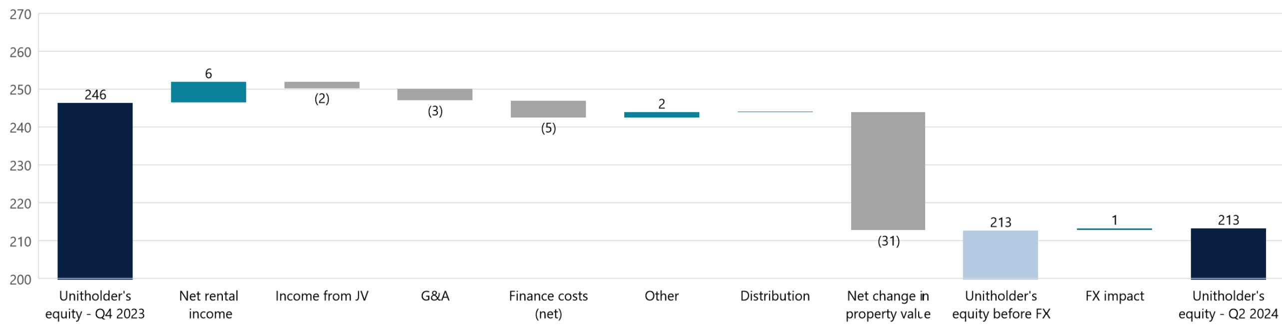
Management's discussion about equity is inclusive of Exchangeable Securities. In the consolidated financial statements, the Exchangeable Securities are classified as current liabilities under IFRS because of the conversion feature that can be exercised by the holder of those securities at any time.

As at June 30, 2024, the REIT has 32,594,711 Units issued and outstanding, plus 938,036 Exchangeable Securities.

	Three months period ended June 30, 2024	Six months period ended June 30, 2024
Units		
Number at beginning of period	32,594,711	32,594,711
Increase in number during the period	-	-
Decrease in number during the period	-	-
Number at end of period	32,594,711	32,594,711
Weighted average number during the period	32,594,711	32,594,711
Exchangeable securities		
Number at beginning of period	938,036	938,036
Number at end of period	938,036	938,036
Weighted average number during the period	938,036	938,036
Units and Exchangeable securities		
Number at beginning of period	33,532,747	33,532,747
Decrease in number during the period	-	-
Number at end of period	33,532,747	33,532,747
Weighted average number during the period	33,532,747	33,532,747

Unitholder's Equity

The Unitholders' equity breakdown over Q2 2024 is presented below (in $ million):



Notes to the Unitholder's equity chart:

(xiv) The biggest impact on the REIT's NAV was the fair value adjustment of the Arcueil and Trio properties, included in the $31 million.

(xv) Income from JV includes both the share of net loss for $3,174 and $1,391 finance income from interests on joint venture loans.

(xvi) Finance costs ($5,041) are presented net of the finance income ($454) mostly attributable to the profit on currency hedge contracts and net of interests on joint venture loans ($1,391).

(xvii) FX impact: The closing foreign exchange rate was 1.4654 as at June 30, 2024, stable compared to the 1.4624 as at December 31, 2023.

Available and Restricted Cash

The REIT's available cash was $6,428 as at June 30, 2024 (compared to $12,489 as at December 31, 2023) following the debt amortization paid of $6,558. Available funds are intended to be used for senior debt payments (interest and amortization). In addition to this available cash, the REIT held:

(xviii) $3,652 of restricted cash, that could be used for either capex financing on the Trio property or its partial deleverage for loan extension

(xix) $2,709 of cash in the assets held in joint venture, including $971 restricted cash constituted upon refinancing of debts and intended to secure senior lenders.

Cash Flows

The table below shows the cash utilization throughout the first half of 2024 and 2023 for the IP Portfolio, not including the REIT's share of cash in the joint venture-owned properties.

	Six months ended June 30,		
	2024	**2023**	**Variance**
Cash at the beginning of the period	**12,489**	**45,176**	**(32,687)**
Cash provided by (used in):			
Operating activities	(219)	937	(1,156)
Investing activities	662	338	324
Financing activities	(6,530)	(27,839)	21,309
Net change during the period	**(6,088)**	**(26,564)**	**20,476**
Impacts of FX adjustment on cash	27	253	(226)
Cash at period-end	**6,428**	**18,865**	**(12,437)**

Unit-Based Compensation Plan

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

Effective May 9, 2022, 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 and to receive such fees in the form of trust Units upon exercising the DSUs ("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 DUs vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DUs is recognized in the consolidated statement of earnings consistent with the vesting feature of each grant. In addition, whenever cash distributions are paid on the Units, additional deferred units ("ADU") shall be granted based on aggregate number of vested DSUs as at the same date. ADUs were suspended at the same time as distributions to Unitholders effective with the December 2023 distribution.

As of June 30, 2024, there are 105,192 DSUs outstanding and 94,808 DSUs available for grant under the DSU Plan.

Financial Instruments

The REIT has the following financial assets and liabilities as at June 30, 2024

	Classification
Financial assets	
Loans to joint ventures	Amortized cost
Derivative financial instruments	Fair Value Through Profit and
Loss Trade receivables and other financial assets	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities	
Mortgage loan	Amortized cost
Tenant deposits	Amortized cost
Exchangeable Securities	Fair Value Through Profit and Loss
Derivative financial instruments	Fair Value Through Profit and Loss
Trade and other payables	Amortized cost

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

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 unobservable inputs for the asset or liability.

There were no transfers between levels of the fair value hierarchy during the year ended June 30, 2024.

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

Trade receivables and other financial assets

Cash and restricted cash

Trade and other payables

	June 30, 2024		December 31, 2023	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Loans to joint ventures	24,270	24,270	24,896	24,896
Financial liabilities				
Mortgage loans	110,808	113,323	113,897	116,234
Tenant deposits	2,282	2,282	2,392	2,392

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

(i) The fair value of the loans to joint venture was estimated using the nominal amounts expected to be received at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

(ii) Mortgage loans were carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings were based on market information, when available, or by discounting future payment of interest and principal at estimated interest rates expected to be available to the REIT as at June 30, 2024.

The fair value of the mortgage loans was determined by discounting the cash flows of these financial obligations using December 31, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2024 of the mortgage loans was estimated at $110,808 (December 31, 2023 -$113,897) compared with the carrying value before deferred financing costs of $113,323 (December 31, 2023 -$116,234). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(i) The fair value of tenant deposits was estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

(ii) The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.

(iii) The fair value of the Exchangeable Securities is based on the quoted price of the Units, on the basis that they are exchangeable on a one-to-one basis at the request of the holders of Exchangeable Securities. Other features of Exchangeable Securities have no significant impact on their fair value.

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

Liquidity Risk

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

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

In arriving at the above conclusion, management has considered that as at June 30, 2024, the REIT's current liabilities exceeded the REIT's current assets by $52,140. This shortfall is mainly due to the following:

A. Trio Mortgage Loan - Classified as current liabilities due to maturity on March 15, 2025 – $42,017
B. Baldi Mortgage Loan - Classified as current liabilities due to the breach of the loan covenant since Q2 2022 – $4,555
C. Sablière Mortgage Loan – Classified as current liabilities due to classification of Asset Held for Sale presentation in Q2 2024 – $13,100

Management has concluded that the shortfall does not have a significant impact on the REIT's ability to sustain its operations within the next 12-months, despite the following:

1. **Trio Mortgage Loan –** Management successfully extended the Trio financing until March 2025. Amortization of $1,465 has been repaid out of the restricted cash and the loan now bears floating interest at 2.5% above the EURIBOR rate.
2. **Baldi Mortgage Loan -** The REIT has kept the senior lender SOCFIM informed regularly about the Baldi redevelopment opportunity and related arbitrage plans (considering the 32% occupancy rate). Since the late 2021 deleverage ($11.5m), the bank exposure is down to an 18% loan-to-value (supported by Q4 2023 external valuation report of $27.1m), and management believes that, based on its regular exchanges with the senior lender since that time, it is unlikely to seek an acceleration of the loan as all other terms of the loan are being met. Notwithstanding the foregoing, any decision of the lenders to enforce their rights is not within the REIT's control and it is possible the applicable loan amounts may become immediately due and payable at any time. See *"Risks and Uncertainties"* in this MD&A.
3. **Sablière Mortgage Loan** - The related loan would be repaid upon sale of the asset.

Management also notes that the REIT is already attempting to execute on its asset recycling plan and joint venture wind up to unlock additional liquidity as required, including the potential disposal of its Sablière and Arcueil properties and the sale of its interest in the Duisburg and Stuttgart joint ventures which is ongoing as at June 30, 2024. The close of any of the above transactions, if they occur, would generate significant positive working capital that the REIT could allocate to the above-mentioned mortgage loan repayment in case of unsuccessful extension or refinancing options. However, there is no assurance any such transactions would be completed.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans. As at June 30, 2024, after taking into consideration the effect of the interest rate cap (2%), as well as fixed interest rates (27%), 29% of the REIT's IP portfolio long-term debt obligation has no exposure to interest rate risk (28% for the Total Portfolio as well). Floating rate debts are mostly on assets included in the recycling plan or with short- term financing maturities.

Currency Risk

The REIT operates in France, Germany and Spain, and the functional currency for these operations is the Euro. The REIT's distributions, which had been paid in cash in 2023, were paid to Unitholders in Canadian dollars. To mitigate the risk of foreign exchange fluctuations on the distributions to our Unitholders prior to the suspension of the distributions, management had established a foreign exchange hedging program.

At the end of September 2022, the REIT initiated a relationship with the Canadian branch of Alpha Group (formerly AlphaFX) and further extended the in-place contracts in Q1 2023 with three additional monthly hedging operations applicable for Q1 2025.

Financial institution	Contracts Maturing by Quarter	Hedge Value ('000 EUR)	Weighted average hedging rate
ALPHA GROUP	Q4 2024	3,112	1.349
	Q1 2025	2,920	1.438
		6,032	1.394

Despite the distribution cut announced in November 2023, the REIT still holds six monthly foreign currency forward contracts with Alpha Group to secure a $1,400 monthly conversion at an average rate of 1.3940 from October 2024 until March 2025. Management will carefully consider cash analysis and transactions arbitrages to unlock the potential profit under these contracts but exiting these contracts today would trigger a significant loss.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including the acquisition loans, trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on December 31, 2023.

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

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

Cash deposit and derivatives: Credit risk on cash and derivative financial instruments is managed through selecting appropriate financial institutions. The REIT holds its cash deposits in bank accounts with a diversified group of large public financial institutions

in France, Germany, and Spain. Financial institutions are selected based on their quality of credit rating and their level of financial transparency. The REIT enters into its derivative financial contracts by utilizing large, public financial services firms or mid-sized, public financial services firms at which balances are backed by large, public financial services firms. Considering the recent economic developments in the banking industry on a global scale, management continues to assess its exposure to credit risk and is actively monitoring the situation to limit the impact on the REIT.

Quarterly Information - Last Eight Quarters

	As at and for the three months ended							
	June 30 2024	March 31 2024	Dec. 31 2023	Sept. 30 2023	June. 30 2023	March 31 2023	Dec. 31 2022	Sept. 30 2022
Rental revenue	4,062	4,631	4,788	4,972	7,571	7,325	6,796	6,503
Rental revenue - Total Portfolio (1)	6,067	6,757	6,827	6,643	9,806	9,428	8,869	8,452
Net rental income	4,616	912	4,084	4,830	10,341	3,962	6,705	6,337
Net rental income - Total Portfolio (1)	6,799	3,636	6,118	6,668	12,474	5,635	8,929	8,078
Net income attributable to Unitholders	(20,140)	(13,579)	(35,574)	1,260	3,003	1,622	(41,042)	14,855
FFO (1)	727	1,042	488	1,984	7,545	4,575	3,361	6,074
AFFO (1)	(108)	747	412	2,294	7,265	4,677	3,609	6,009
FFO per Unit (diluted) (1) (2)	0.02	0.03	0.01	0.06	0.22	0.14	0.10	0.18
AFFO per Unit (diluted) (1) (2)	-	0.02	0.01	0.07	0.22	0.14	0.11	0.18
Declared distribution per Unit	-	-	0.07	0.10	0.10	0.10	0.10	0.17
FFO payout ratio (2)	-	-	481.4%	173.7%	46.1%	75.8%	103.1%	95.2%
AFFO payout ratio (2)	-	-	570.3%	150.2%	47.9%	74.1%	96.0%	96.3%

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

(2) Based on the diluted weighted average number of Units and Exchangeable Securities

Related party transactions

Pursuant to a fifth amended and restated management agreement dated March 27, 2023 between Inovalis S.A.. as asset manager, and the REIT (the “Management Agreement”), Inovalis S.A. provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT and its subsidiaries.

Inovalis S.A. is a related party of the REIT as they share the same management. The founder and Chair of Inovalis SA is President and Chief Executive Officer ("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.

Sablière offer and asset held for sale

In April 2024, the REIT received a letter of intent from Inovalis SA for the purchase of the Sablière property by Inovalis S.A. or an affiliated entity controlled by Inovalis S.A ("the Purchaser").

The Purchaser is the founder and sponsor of the REIT and a significant Unitholder of the REIT, currently holding more than a 10% interest in the REIT's issued and outstanding Units and special voting units of the REIT. As such, by virtue of the relationship between the REIT and the Purchaser, the sale of the Sablière property may be considered a "related party transaction" pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") (Note 21 - Transactions with related parties). Consequently, the REIT convened the Special Meeting, where Unitholders will be asked to consider and, if thought advisable, pass an ordinary resolution approving the sale of the Sablière property to the Purchaser at a net sale price of €17,500 ($25,645), all subject to the terms and conditions set forth in the management information circular sent to Unitholders in connection with the Special Meeting.

The sale is not subject to transaction costs (broker fees or disposition fees) except ancillary costs.

The letter of intent outlines a timeline for the due diligence period to enable: (i) the Purchaser to obtain bank financing in the form of conventional mortgage or real estate leasing and (ii) the REIT to satisfy Canadian securities law requirements, including in respect of obtaining minority approval at the Special Meeting.

As all the criteria related to classification as an asset held for sale have been met, the Sablière property is presented on a separate line in the consolidated balance sheet as "Asset Held for Sale" as at June 30, 2024.

Management Agreement

On March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis S.A. with a term ending on March 31, 2026, on the same financial terms. Inovalis S.A. has been the manager of the REIT since the initial public offering in 2013.

Investment in Joint Ventures, Reconciliation

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements

	Three months ended					
	June 30, 2024			June 30, 2023		
(in thousands of CAD$)	**Amounts per REIT's financial statements**	**Share of net earnings from investments in joint ventures[1]**	**Total**	**Amounts per REIT's financial statements**	**Share of net earnings from investments in joint ventures[1]**	**Total**
Rental income	4,062	2,005	**6,067**	7,571	2,235	**9,806**
Property operating cost recoveries	1,638	744	**2,382**	1,805	728	**2,533**
Property operating costs	(2,053)	(823)	**(2,876)**	(1,647)	(856)	**(2,503)**
Other revenues	977	299	**1,276**	2,625	36	**2,661**
Other property operating expenses	(8)	(42)	**(50)**	(14)	(10)	**(24)**
					-	**-**
Net rental income	**4,616**	**2,183**	**6,799**	**10,340**	**2,133**	**12,473**
General and administrative expenses	(1,383)	(435)	**(1,818)**	(1,571)	(382)	**(1,953)**
Eviction and disposal costs	-	-	**-**	-	-	**-**
Foreign exchange gain	-	-	**-**	61	-	**61**
Gain on acquisition of subsidiary	-	-	**-**	-	-	**-**
Loss on sale of investment in joint venture	-	-	**-**	-	-	**-**
Loss on disposal of investment properties	-	-	**-**	-	-	**-**
Share of net loss from joint ventures	(4,044)	4,044	**-**	(3,763)	3,763	**-**
Operating income	**(811)**	**5,792**	**4,981**	**5,067**	**5,514**	**10,581**
Net change in fair value of investment properties	(19,320)	(5,146)	**(24,466)**	(960)	(4,851)	**(5,811)**
Net change in fair value of financial derivatives	(10)	2	**(8)**	(201)	(4)	**(205)**
Net change in fair value of Exchangeable securitie	394	-	**394**	525	-	**525**
Finance income	704	(703)	**1**	1,104	(682)	**422**
Finance costs	(2,334)	(900)	**(3,234)**	(1,985)	(530)	**(2,515)**
Distributions on Exchangeable securities	-	-	**-**	(98)	-	**(98)**
Loss before income taxes	**(21,377)**	**(955)**	**(22,332)**	**3,452**	**(553)**	**2,899**
Current income tax expense	(40)	(23)	**(63)**	(10)	(43)	**(53)**
Deferred income tax recovery	823	484	**1,307**	(465)	596	**131**
Total income tax recovery	**783**	**461**	**1,244**	**(475)**	**553**	**78**
Net loss	**(20,594)**	**(494)**	**(21,088)**	**2,977**	**-**	**2,977**
Non-controlling interest	(454)	1	(453)	(25)	-	(25)
Net loss sattributable to the Trust	**(20,140)**	**(495)**	**(20,635)**	**3,002**	**-**	**3,002**

(1) Statement of Earnings amounts presented for the REIT were taken respectively from unaudited interim consolidated financial statements as at June 30, 2024 and as at June 30, 2023.

(2) The difference in net income when comparing the REIT's financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation purpose (Non-GAAP) relates entirely to the impairment charge recorded on the REIT's loan to Delizy joint venture in accordance with IFRS 9. As the loan to Delizy has been considered equity for proportionate consolidation purposes, no impairment under IFRS 9 has been recorded resulting in a reconciliation difference.

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

	Six months ended					
	June 30, 2024			June 30, 2023		
(in thousands of CAD$)	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total
Rental revenue	8,693	4,131	**12,824**	14,896	4,338	**19,234**
Property operating cost recoveries	2,829	1,515	**4,344**	3,286	1,427	**4,713**
Property operating costs	(7,156)	(2,048)	**(9,204)**	(6,496)	(1,991)	**(8,487)**
Other revenues	1,171	1,352	**2,523**	2,643	43	**2,686**
Other property operating expenses	(9)	(43)	**(52)**	(27)	(11)	**(38)**
Net rental income	**5,528**	**4,907**	**10,435**	**14,302**	**3,806**	**18,108**
General and administrative expenses	(3,167)	(896)	**(4,063)**	(3,424)	(768)	**(4,192)**
Foreign exchange gain	-	-	**-**	55	-	**55**
Share of net loss from joint ventures	(3,174)	3,174	**-**	(3,479)	3,479	**-**
Operating income	**(813)**	**7,185**	**6,372**	**7,454**	**6,517**	**13,971**
Net change in fair value of investment properties	(31,305)	(5,155)	**(36,460)**	654	(4,664)	**(4,010)**
Net change in fair value of financial derivatives	(415)	2	**(413)**	(1,753)	(4)	**(1,757)**
Net change in fair value of Exchangeable securities	779	-	**779**	366	-	**366**
Finance income	1,845	(1,391)	**454**	2,075	(1,366)	**709**
Finance costs	(5,041)	(1,830)	**(6,871)**	(3,318)	(957)	**(4,275)**
Distributions on Exchangeable securities	-	-	**-**	(194)	-	**(194)**
(Loss) income before income taxes	**(34,950)**	**(1,189)**	**(36,139)**	**5,284**	**(474)**	**4,810**
Current income tax expense	(83)	(56)	**(139)**	(23)	(68)	**(91)**
Deferred income tax expense	823	408	**1,231**	(666)	542	**(124)**
Total income tax expense	**740**	**352**	**1,092**	**(689)**	**474**	**(215)**
Net (loss) income (2)	**(34,210)**	**(837)**	**(35,047)**	**4,595**	**-**	**4,595**
Non-controlling interest	(492)	-	(492)	(29)	-	(29)
Net (loss) income attributable to the Trust	**(33,718)**	**(837)**	**(34,555)**	**4,624**	**-**	**4,624**

(1) Statement of Earnings amounts presented for the REIT were taken respectively from unaudited interim consolidated financial statements as at June 30, 2024 and as at June 30, 2023.

(2) The difference in net income when comparing the REIT's financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation purpose (Non-GAAP) relates entirely to the impairment charge recorded on the REIT's loan to Delizy joint venture in accordance with IFRS 9. As the loan to Delizy has been considered equity for proportionate consolidation purposes, no impairment under IFRS 9 has been recorded resulting in a reconciliation difference.

Balance Sheet Reconciliation to Consolidated Financial Statements

	As at June 30, 2024			As at December 31, 2023		
Assets	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures (2)**	**Proportionate Consolidation**	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures (2)**	**Proportionate Consolidation**
Investment properties	357,218	124,864	482,082	412,967	128,034	541,001
Investments in joint ventures	38,926	(38,926)	-	41,632	(41,632)	-
Other financial assets	404	(3)	401	333	-	333
Derivative financial instruments	-	-	-	-	-	-
Restricted cash	3,288	-	3,288	4,973	-	4,973
Total non-current assets	**399,836**	**85,935**	**485,771**	**459,905**	**86,402**	**546,307**
Current assets						
Trade receivables and other financial assets	9,029	(2,308)	6,721	7,134	(1,877)	5,257
Derivative financial instruments	71	-	71	527	-	527
Other current assets	4,063	2,280	6,343	3,809	1,970	5,779
Restricted cash	364	1,129	1,493	196	370	566
Cash	6,428	1,581	8,009	12,489	2,801	15,290
Total current assets	**19,955**	**2,682**	**22,637**	**24,155**	**3,264**	**27,419**
Asset held for sale	25,645	-	25,645	-	-	-
Total assets	**445,435**	**88,617**	**534,052**	**484,060**	**89,666**	**573,726**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	186	347	533	186	(436)	(250)
Mortgage loans	52,938	24,096	77,034	65,710	24,039	89,749
Lease liabilities	92,970	8,826	101,796	96,179	9,067	105,246
Tenant deposits	2,102	137	2,239	2,224	138	2,362
Derivative financial instruments	-	-	-	110	-	110
Deferred tax liabilities	477	4,284	4,761	1,295	4,682	5,977
Total non-current liabilities	**148,673**	**37,690**	**186,363**	**165,704**	**37,490**	**203,194**
Current liabilities						
Interest-bearing loan	56	(15)	41	28	(3)	25
Mortgage loans	60,385	43,457	103,842	50,524	44,522	95,046
Lease liabilities	6,843	519	7,362	6,819	514	7,333
Tenant deposits	180	187	367	168	187	355
Exchangeable securities	816	-	816	1,595	-	1,595
Derivative financial instruments	484	-	484	377	-	377
Trade and other payables	10,259	3,803	14,062	7,356	2,593	9,949
Provisions	766	-	766	765	-	765
Income tax payable	2,066	-	2,066	2,175	-	2,175
Deferred income	1,180	74	1,254	1,184	636	1,820
Total current liabilities	**83,035**	**48,025**	**131,060**	**70,991**	**48,449**	**119,440**
Total liabilities	**231,708**	**85,715**	**317,423**	**236,695**	**85,939**	**322,634**
Equity						
Trust units	288,156	-	288,156	288,156	-	288,156
Retained earnings (2)	(86,948)	2,869	(84,079)	(53,230)	3,727	(49,503)
Accumulated other comprehensive income	12,057	32	12,089	11,492	-	11,492
	213,265	**2,901**	**216,166**	**246,418**	**3,727**	**250,145**
	-	-	-	-	-	-
Non-controlling interest	462	-	462	947	-	947
Total liabilities and equity	**445,435**	**88,616**	**534,051**	**484,060**	**89,666**	**573,726**

(1) Balance sheet amounts presented for the REIT were taken respectively from unaudited interim consolidated financial statements as at June 30, 2024 and audited consolidated financial statements as at December 31, 2023.

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

Risks and Uncertainties

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

Risks Relating to the REIT and its Business

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

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

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

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

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

Current conditions in the European political environment may negatively impact our ability to secure financing

In the aftermath of the 2024 European and French parliamentary elections, France's political landscape has become more fragmented, casting a long shadow over its governmental and economic prospects. The absence of a clear majority foreshadows political instability, which has significantly dampened the appetite of financial institutions for commercial lending and has tempered the appetite of potential investors, prompting them to adopt an even more conservative approach, at least for the coming quarters. Until a new government is formed, lenders, are tightening their lending criteria, making it increasingly difficult for businesses to secure loans. The tightening of credit has coincided with an economic slowdown, induced by interest rates at an all-time high despite the recent 25bp cut by the ECB. The effects of domestic instability have not been confined to France. Foreign investors, traditionally a key source of capital, have been extremely cautious, temporarily pulling back from the French market. This retreat of foreign capital has further restricted the pool of funds available for commercial lending, also restricting country's business sector. Accordingly, the political upheaval following France's 2024 elections has cultivated an environment of pervasive uncertainty. This has led to a contraction in both the supply and demand for commercial loans, as financial institutions grapple with heightened risks, businesses face higher borrowing costs, and the economy slows under the weight of this political and economic uncertainty. The foregoing conditions may negatively impact the REIT's ability to refinance its existing loans or secure financing on terms acceptable to the REIT or at all, which could adversely impact the REIT's liquidity, operating results or financial condition, the ability to make distributions on the Units and the ability to implement the REIT's growth strategy. Furthermore, these conditions may negatively impact the ability of the REIT to sell properties if potential buyers are unable to secure financing necessary to complete the transaction.

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

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

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

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

Concentration of Tenants May Result in Significant Vacancies on the Properties

As at June 30, 2024, five of the REIT's largest tenants, by percentage of total GLA, occupy 24% of the total weighted areas, with the main tenant in Trio representing 12% of the IP Portfolio rental income. Four of the five largest tenants are committed to multi-year leases, which are set to expire gradually between 2025 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the earliest dates on which those five largest tenants may effectively move range between 2025 and 2029.

To minimize further risk of vacancy, the REIT will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow the REIT to source tenants in advance of the current tenants' vacating the property.

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

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

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

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

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

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

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

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

The REIT May Incur Significant Capital Expenditures

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

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

Changes in Government Regulations May Affect Our Investment in Our Properties

The REIT is subject to laws and regulations governing the ownership, leasing or operations of, or investment in, real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect), and in particular those applicable in France, Germany and Spain (in which all of our properties are located). Any changes in the laws to which the REIT is subject in these jurisdictions could materially affect its rights and title to the properties in its portfolio. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on investments by the REIT.

In France, certain authorities or individuals (for example, tenants or the administrative agency governing the area in which the subject property is located) have a pre-emptive right, under law, to purchase a property in priority to a potential purchaser (referred to in France as the Droit de Preemption). These pre-emptive rights may negatively impact proposed sales by the REIT, for example, by creating delays in the sale process and causing a reduction in the price to be paid for the REIT’s properties.

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

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

Changes in Currency Exchange Rates Could Adversely Affect Our Business

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

Changes in Interest Rates Could Adversely Affect Cash Flows

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

Dependence on Inovalis S.A. for Management Services

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

While the trustees have similar oversight responsibility with respect to the services provided by Inovalis S.A. pursuant to the Management Agreement, the services provided by Inovalis S.A. are not performed by employees of the REIT, but by Inovalis S.A. directly and through entities to which it may subcontract. The Management Agreement has a three-year term expiring on March 31, 2026.

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

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

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

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

Reliance on Partnerships

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

Income Taxes

Taxation of Trusts

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

Application of the SIFT Rules

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

FAPI

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

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

Foreign Currency

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

Change of Tax Law

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

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions (whether such distributions are paid in cash, additional Units or otherwise) made by the REIT to Unitholders who are Non-Residents. These taxes, and any reduction thereof under a tax treaty between Canada and another country, may change from time to time.

Taxation of the REIT and the REIT's Subsidiaries

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

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

Qualified Investments

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

EIFEL Rules

The Minister of Finance has released proposals to amend the Tax Act (the "EIFEL Proposals") that are intended, where applicable, to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's tax EBITDA. The EIFEL Proposals are proposed to be effective for taxation years beginning on or after October 1, 2023. Management is currently considering the impact of the EIFEL Rules on the REIT. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase, which could reduce the after-tax return associated with an investment in Units. Unitholders are advised to consult their personal tax advisors.

Unit Distributions

If the Trustees determine that the REIT does not have cash in an amount sufficient to pay distributions equal to the net income of the REIT (including net realized taxable capital gains), distributions may be satisfied by issuing additional Units to Unitholders. Unitholders generally will be required to include in computing their income for Canadian tax purposes in a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to such Unitholders in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. As such, Unitholders may incur tax liabilities without receiving cash distributions from the REIT to fund such liabilities. Unitholders are advised to consult their own tax advisors in this regard.

German Taxes

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

Luxco taxation

CanCorpEurope S.A., a public limited liability company (or "societe anonyme") and a subsidiary of the REIT ("Luxco") is a Special Investment Fund within the meaning of the Luxembourg law of 13 February 2007 ("SIF"), with multiple compartments and variable capital ("Societe d'Investissement a Capital Variable") subject to a tax of 0.01% (so called "taxe d'abonnement") per annum of its Net Asset Value. No Luxembourg withholding tax is levied on distributions from CCE. No assurance can be given that a tax authority will not challenge certain positions taken by the REIT and the REIT's subsidiaries in connection with the structure of Luxco. CCE, as a SIF, might be subject to the Luxembourg real estate levy. This levy of 20% applies on gross rental income and disposal gains deriving from real estate located in Luxembourg. Since CCE does not hold any properties located in Luxembourg, the real estate levy should not apply.

Foreign Income Taxes

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

The REIT's subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation, income derived from the French REIT's subsidiaries, incorporated under the form of Societe Civile Immobiliere subject to article 8 of the French Tax Code, and allocated to INOPCI 1, should be corporate income tax exempt in the hands of INOPCI 1 on the basis that INOPCI 1 complies with its distribution obligations. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is OPCI (collective undertaking for real estate investment) to CCE. The reduced rate of 15% provided by the double tax treaty ("DTT") concluded between Luxembourg and France should apply to dividends distributed by the INOPCI to CCE.

CanCorp Duisburg ("CCD"), TFI CanCorp Isenburg ("CCI"), TFI CanCorp Kosching ("CCK"), TFI CanCorp Stuttgart ("CCS"), CanCorp Cologne 2 and CanCorp Trio I, CanCorp Trio II, CanCorp Trio III (together "Trio"), Walpur Four, Arcueil SI GP ("the Luxembourg subsidiaries") are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum net wealth tax in Luxembourg. Any distributions of dividends from the Luxembourg subsidiaries to CCE should be subject to a 15% Luxembourg withholding tax.

CCE is a Specialized Investment Fund according to the Luxembourg Specialized Investment Fund Law dated 13 February 2007 and as such is exempt from corporate income tax, municipal business tax and net wealth tax. CCE is subject to an annual subscription tax ("taxe d'abonnement") charged at an annual rate of 0.01% based on its net asset value, valued at the end of each calendar year.

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

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

Cancorp Vegacinco, a limited liability company, is established in Spain as a fully taxable company, subject to annual corporate income at a 23% rate. SIF are explicitly excluded from the benefit of the DTT concluded between Luxembourg and Spain. Any distributions from Cancorp Vegacinco to CCE should thus be subject to the withholding tax rate applicable in Spain and could not benefit from any reduced rate provided by the DTT.

Critical Accounting Policies and Estimates

The preparation of the REIT's consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Management bases its judgements, estimates and assumptions on experience and other factors that it believes to be reasonable under the circumstances. However, uncertainty about these judgements, estimates and assumptions could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting judgements, estimates and assumptions in applying accounting policies are described in Note 4 to the audited consolidated financial statements of the REIT for the period ending December 31, 2023.

A description of significant accounting policies is provided in Note 3 of the unaudited consolidated financial statements of the REIT for the quarter ending June 30, 2024.

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures ("DCP")

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

The CEO and CFO concluded that such disclosure controls and procedures were effective, as at June 30, 2024.

Internal Controls Over Financial Reporting ("ICFR")

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

An evaluation of the adequacy of the design and effective operation of the REIT's ICFR was conducted under the supervision of management, including the CEO and CFO, as at June 30, 2024. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate. Based on that evaluation, the CEO and the CFO have concluded that the design and implementation of ICFR were complete as at June 30, 2024.

Inherent Limitations

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