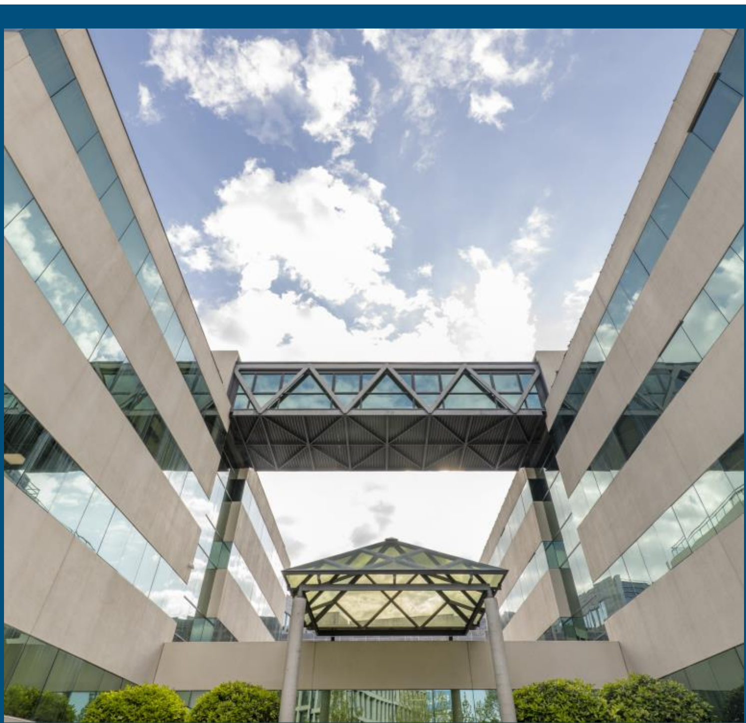
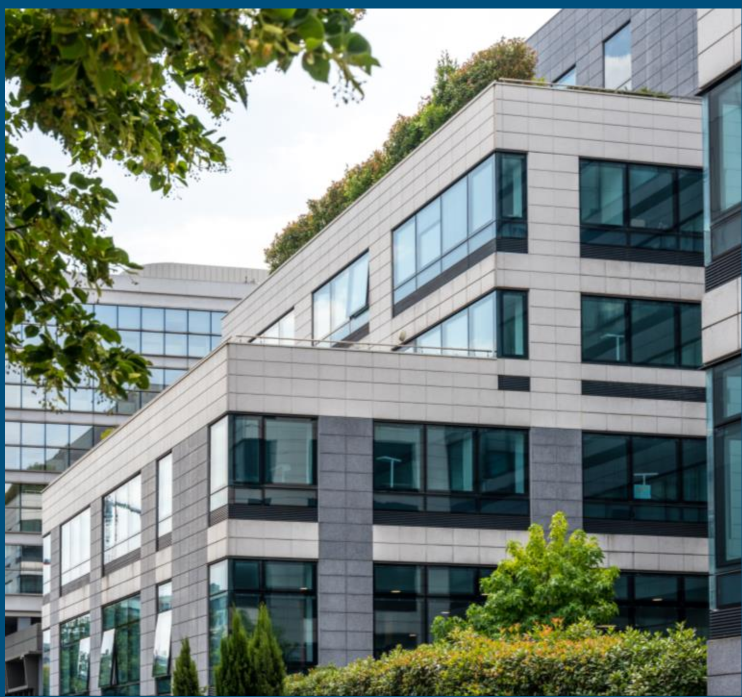
Condensed Interim Consolidated Financial Statements (unaudited)

June 30, 2025





Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended June 30, 2025 and 2024

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

The accompanying unaudited interim condensed consolidated financial statements of the REIT for the quarters ended June 30, 2025 and 2024 have been prepared in accordance with International Accounting Standard 34, Interim Financial reporting, and are the responsibility of the REIT's management.

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

Inovalis Real Estate Investment Trust
Interim Consolidated Balance Sheets
(Unaudited)
(All dollar amounts in thousands of Canadian dollars)

Assets	Note	As at June 30, 2025	As at December 31, 2024
Non-current assets			
Investment properties	5	324 603	327 789
Investments in joint ventures	6	38 426	37 047
Other financial assets		458	407
Restricted cash	8	2 096	1 611
Total non-current assets		**365 583**	**366 854**
Current assets			
Trade receivables and other financial assets	7	11 270	9 528
Other current assets		2 971	1 873
Restricted cash	8	642	1 651
Cash	8	12 605	6 249
Total current assets		**27 488**	**19 301**
Asset held for sale	9	22 457	26 061
Total assets		**415 528**	**412 216**

Liabilities and equity	Note	As at June 30, 2025	As at December 31, 2024
Liabilities			
Non-current liabilities			
Interest-bearing loan		204	189
Mortgage loans	10	66 513	53 961
Lease liabilities	10	96 664	95 752
Tenant deposits		2 368	2 228
Total non-current liabilities		**165 749**	**152 130**
Current liabilities			
Interest-bearing loan		151	83
Mortgage loans	10	41 741	60 488
Lease liabilities	10	8 481	5 035
Tenant deposits		114	255
Exchangeable securities	11	354	385
Trade and other payables	12	9 025	8 668
Income tax payable		2 419	2 238
Deferred income		587	586
Provisions	13	264	243
Total current liabilities		**63 136**	**77 981**
Total liabilities		**228 885**	**230 111**
Equity			
Trust units	17	296 206	296 206
Deficit		(139 163)	(129 834)
Accumulated other comprehensive income	18	29 727	15 666
Total unitholders' equity		**186 770**	**182 038**
Non-controlling interest		(127)	67
Total equity		**186 643**	**182 105**
Total liabilities and equity		**415 528**	**412 216**

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

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

Jean-Daniel Cohen
Chairman and Trustee

Robert Waxman
Audit Chair and Trustee

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

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

	Note	**For the three months ended June 30, 2025**	**For the three months ended June 30, 2024**	**For the six months ended June 30, 2025**	**For the six months ended June 30, 2024**
Rental revenue	*14*	**4 419**	4 062	**8 657**	8 693
Property operating cost recoveries	*14*	**1 159**	1 638	**2 511**	2 829
Property operating costs	*15*	**(1 770)**	(2 053)	**(7 044)**	(7 156)
Other revenues		**4**	977	**31**	1 171
Other property operating expenses		**(532)**	(8)	**(719)**	(9)
Net rental income		**3 280**	**4 616**	**3 436**	**5 528**
General and administrative expenses	*15*	**(1 403)**	(1 383)	**(2 720)**	(3 167)
Foreign exchange (loss) profit		**(19)**	-	**46**	-
Loss on disposal of investment properties	*7*	**(167)**	-	**(167)**	-
Share of net loss from joint ventures	*6*	**(1 886)**	(4 044)	**(1 529)**	(3 174)
Operating earnings loss		**(195)**	**(811)**	**(934)**	**(813)**
Net change in fair value of Investment properties	*5*	**(9 944)**	(19 320)	**(5 788)**	(31 305)
Net change in fair value of Financial derivatives		**-**	(10)	**-**	(415)
Net change in fair value of Exchangeable securities	*11*	**28**	394	**31**	779
Finance income	*16*	**781**	704	**1 508**	1 845
Finance costs	*16*	**(2 085)**	(2 334)	**(4 258)**	(5 041)
Loss before income taxes		**(11 415)**	**(21 377)**	**(9 441)**	**(34 950)**
Current income tax expense		**(59)**	(40)	**(101)**	(83)
Deferred income tax recovery		**-**	823	**-**	823
Total income tax (expenses) recoveries		**(59)**	783	**(101)**	**740**
Net loss		**(11 474)**	**(20 594)**	**(9 542)**	**(34 210)**
Net loss attributable to:					
Non-controlling interest		**(223)**	(454)	**(213)**	(492)
Unitholders of the Trust		**(11 251)**	(20 140)	**(9 329)**	(33 718)
		(11 474)	**(20 594)**	**(9 542)**	**(34 210)**

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

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

	Note	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Net loss for the period		**(11 474)**	**(20 594)**	**(9 542)**	**(34 210)**
Other comprehensive income (loss)					
Items that may be reclassified subsequently to income :					
Change in cumulative translation adjustment account	18	**5 363**	(1 892)	**14 038**	555
Other comprehensive income (loss)		**5 363**	**(1 892)**	**14 038**	**555**
Total comprehensive (loss) income		**(6 111)**	**(22 486)**	**4 496**	**(33 655)**
Total comprehensive loss (income) attributable to:					
Non-controlling interest		**(207)**	(446)	**(236)**	(502)
Unitholders of the Trust		**(5 904)**	(22 040)	**4 732**	(33 153)
Total comprehensive (loss) income		**(6 111)**	**(22 486)**	**4 496**	**(33 655)**

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

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Changes in Equity
For the six months ended June 30,
(Unaudited)
(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings (deficit)	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2023		32 594 711	288 156	(53 230)	11 492	246 418	947	247 365
Issuance of units from conversion of exchangeable securities	*11*	545 144	503	-	-	503	-	503
Issuance of units from payment of trustee fees	*19*	66 325	76	-	-	76	-	76
Distributions declared to Unitholders		7 321 963	7 471	(7 471)	-	-	-	-
Consolidation of Units		(7 321 963)	-	-	-	-	-	-
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	16	16
		611 469	8 050	(7 471)	-	579	16	595
Net loss for the year		-	-	(69 133)	-	(69 133)	(898)	(70 031)
Other comprehensive income		-	-	-	4 174	4 174	2	4 176
Comprehensive (loss) income		-	-	(69 133)	4 174	(64 959)	(896)	(65 855)
As at December 31, 2024		**33 206 180**	**296 206**	**(129 834)**	**15 666**	**182 038**	**67**	**182 105**
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	**42**	**42**
		-	**-**	**-**	**-**	**-**	**42**	**42**
Net loss for the period		**-**	**-**	**(9 329)**	**-**	**(9 329)**	**(213)**	**(9 542)**
Other comprehensive income (loss)		**-**	**-**	**-**	**14 061**	**14 061**	**(23)**	**14 038**
Comprehensive (loss) income		**-**	**-**	**(9 329)**	**14 061**	**4 732**	**(236)**	**4 496**
As at June 30, 2025		**33 206 180**	**296 206**	**(139 163)**	**29 727**	**186 770**	**(127)**	**186 643**

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

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

	Note	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Operating activities			
Loss before income taxes		**(9 441)**	(34 950)
Interest received		**528**	472
Interest paid		**(4 258)**	(5 041)
Income tax paid		**-**	-
Distributions in respect of exchangeable securities paid in cash	*11*	**-**	(128)
Adjustments for non-cash items and other reconciling items	*22*	**10 080**	37 515
		(3 091)	**(2 132)**
Working capital adjustments	*22*	**(3 248)**	1 913
Net cash flows related to operating activities		**(6 339)**	**(219)**
Investing activities			
Additions to investment properties and capitalized letting fees	*5*	**(98)**	(494)
Disposition of investment property - Sablière property	*9*	**27 524**	-
Additional loan advances to joint ventures	*6*	**-**	(993)
Loan repayments received from joint ventures	*6*	**-**	617
Net change in restricted cash	*8*	**1 652**	1 532
Net cash flows related to investing activities		**29 078**	**662**
Financing activities			
Issuance of mortgage loans	*22*	**8 753**	-
Repayment of mortgage loans	*22*	**(22 898)**	(3 155)
Repayment of lease liabilities	*22*	**(3 281)**	(3 403)
Issuance of interest bearing loan		**83**	28
Net cash flows related to financing activities		**(17 343)**	**(6 530)**
Increase (decrease) in cash		**5 396**	**(6 088)**
Effects of foreign exchange adjustments on cash		**960**	27
Cash at the beginning of the period	*8*	**6 249**	**12 489**
Cash at the end of the period	*8*	**12 605**	**6 428**

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

Note 1 – Organization

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

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

The REIT's condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2025, were authorized for issuance by the Board of Trustees on August 7, 2025.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France, Germany, and Spain to manage certain functions. Refer to Note 1 of the 2024 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 20 in these condensed interim consolidated financial statements, for information regarding the services provided by Inovalis SA to the REIT.

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

Note 2 – Basis of presentation and statement of compliance

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

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. Management considers that there are no material uncertainties that may cast significant doubt over this assumption. In concluding that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period, management has made several significant judgements. See Note 4, section on going concern analysis for further details.

These unaudited condensed interim consolidated financial statements use the same accounting policies and methods of their application as the REIT's most recent annual consolidated financial statements and should be read in conjunction with the 2024 annual audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

Note 3 – Recent accounting pronouncement adopted

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

Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates - Lack of exchangeability:

In June 2024, the IASB issued amendments to IAS 21 which specify that entities should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments are effective beginning on or after January 1, 2025.

These amendments had no impact on the condensed interim consolidated financial statements of the REIT, as no significant changes in exchangeability occurred after the date of initial application of IAS 21 by the REIT.

Note 4 – Critical accounting judgments and estimates

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the REIT's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2024.

Going Concern Analysis

The REIT has prepared the financial statements on the assumption that it will continue to operate as a going concern. This implies that the REIT will continue its operations for the foreseeable future, enabling it to realize its assets and settle its obligations in the normal course of business. Management's assessment of the going concern status includes forecasting cash flow requirements under various stress-tested scenarios to identify any material risks to the REIT's ability to continue as a going concern. The significant judgments made in forecasting future cash flows relate to certain financing obligations for the REIT.

The REIT's ability to operate as a going concern over the twelve months following the release of the financial statements depends on its ability to successfully close the disposition of its Baldi property and negotiate extensions and modifications to its third-party loans to meet cash flow needs and prevent the exercise of early repayment rights by lenders in the event of covenant breaches.
On the Baldi property in France, which has a 18% loan to-value, an unilateral exchange contract was signed on August 1, 2025. The REIT anticipates a disposition before the end of the year 2025.

(a) Breach of Trio Property Loan Covenant
As of June 30, 2025, the Trio property is in breach of the loan-to-value ratio on its $36,991 mortgage loans. On March 19, 2025, the senior lender HCOB confirmed a six-month extension of the maturity (initially set on March 15, 2025) and the loan was partially repaid of €5,500 ($8,823) in May 2025, condition for the waiver of the second mortgage held by HCOB on the Bad Homburg property (see below). The loan repayment was funded by a €5,600 ($8,983) mezzanine loan on the Bad Homburg property signed in April 2025 with a drawdown on May 13, 2025. The 18-month mezzanine loan bears interest at 12% (6% paid quarterly and 6% at maturity). Management's objective is to refinance this loan with conventional financing, depending on progress on the reletting strategy. On May 19, 2025, the HCOB bank formally notified the REIT for the LTV covenant breach and reservation of rights. However, given that all of the other terms of the Trio loan have been met and based on the REIT's regular communications with the lender, the REIT does not anticipate receiving an early repayment request from the lender.
However, should repayment be requested after September 15, 2025, the liquidity risk associated with this default is confined at the Trio entity level and triggers default interest payments during the default period. If recourse is made to the guarantees provided by the REIT, the risk would entail the loss of Trio's contribution to the REIT's equity, without compromising its liquidity.

Note 4 – Critical accounting judgments and estimates (cont'd)

Going Concern Analysis (cont'd)

(b) Breach of Baldi Loan Covenant

As of June 30, 2025, the SCI Baldi entity is in breach of two covenants on its $3,969 mortgage loan due to planned tenant vacancies resulting from the property being held within the REIT's asset recycling plan (See Note 10). Subsequent to the quarter-end, on August 1, 2025, the REIT signed an exchange contract for the sale of this property with a third-party buyer. The sale proceeds would allow the full repayment of the outstanding loan amount. Although this breach provides the lender with the early repayment right, management does not anticipate the bank to exercise it. If repayment is requested by the lender before the sale, it could result in a cash shortfall for the REIT, necessitating additional cash flow strategies to mitigate liquidity risk.

Management has forecasted that the REIT will be able to navigate any remaining cash flow shortages through effective management of working capital and capex requirements. Specifically, management has forecasted that the REIT will be able to defer certain tax payment deadlines and capex schedules as required and manage payment terms for vendor invoices. Management has also considered the REIT's history of employing capital management strategies successfully in making this judgement.

Note 5 – Investment properties

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

	For the six months ended June 30, 2025	For the year ended December 31, 2024
Balance, beginning of the period	**327 789**	**412 967**
Capex	**53**	768
Change in capitalized letting fees	**45**	(39)
Rent free periods	**(90)**	(318)
Net change in fair value of investment properties	**(5 788)**	(66 774)
Foreign currency translation adjustment	**25 051**	7 246
Asset classified as held for sale	**(22 457)**	**(26 061)**
Balance, end of the period	**324 603**	**327 789**

All of the REIT's investment properties with a fair value of $324,603 (December 31, 2024 - $327,789) are pledged as security for an amount of $213,399 (December 31, 2024 - $215,236) in mortgage loans and lease liabilities.

On April 30, 2025, the REIT closed the disposition of the Sabliere investment property, located in Paris, France, for a total consideration of €18,200. The REIT paid transaction costs equal to an amount of €812 ($1,277), which include €182 ($286) in advisory fees paid to Inovalis SA, a related party of the REIT and €228 ($359) in broker fees paid to Advenis Conseil, a subsidiary of Inovalis SA. The REIT recognized a loss on sale of investment property of €167 ($263) relating to the sale. The loss is solely related to transaction costs paid by the REIT.

Appraisal capitalization and discount rates

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. The REIT used the Direct Capitalization Method ("DC") to measure the fair value of its investment property.

Under the Direct Capitalization Method, the cash generated during the term of the lease as well as the cash generated at reversion, as estimated based on the normalized net operating income generated by the property, are capitalized using the same capitalization (discount) rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets. The group that determines the REIT's valuation policies and procedures for property valuations comprises the CEO, CIO and CFO. Each year, Inovalis SA appoints an independent real estate valuation expert who is responsible for the valuation of the REIT's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Note 5 – Investment properties (cont'd)

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in applicable locations. External valuations are obtained every six months for the French properties, German properties, and Spanish property. The REIT's investment properties were last appraised by an external evaluator as of June 30, 2025. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

	As at June 30, 2025			
	France [2]	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	**157 447**	**34 800**	**26 700**	**218 947**
Option costs	**(2 589)**	**-**	**-**	**(2 589)**
Adjusted market value in EUR	**154 858**	**34 800**	**26 700**	**216 358**
Exchange adjustment	**93 550**	**21 023**	**16 129**	**130 702**
Adjusted market value in CAD$	**248 408**	**55 823**	**42 829**	**347 060**
Principal method used to value property [1]	**DC**	**DC**	**DC**	
Capitalization rate / discount rate	**5.10% to 8.00%**	**6.10% to 7.60%**	**6,75%**	
Terminal capitalization rate	**6,52%**	**7,49%**	**6,75%**	
Impact on the fair value of investment properties of :				
an increase of 25 bps on the cap rate and/or discount rate	**(9 519)**	**(1 803)**	**(1 563)**	**(12 885)**
a decrease of 25 bps on the cap rate and/or discount rate	**10 344**	**1 927**	**1 686**	**13 957**

(1) "DC" for Direct Capitalization Method
(2) Including the fair market value for the Baldi property of €14,000 ($22,457) that is presented as an asset held for sale.

	As at December 31, 2024			
	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	175 900	37 700	26 600	240 200
Option costs	(2 589)	-	-	(2 589)
Adjusted market value in EUR	**173 311**	**37 700**	**26 600**	**237 611**
Exchange adjustment	84 784	18 443	13 013	116 239
Adjusted market value in CAD$	**258 094**	**56 143**	**39 613**	**353 850**
Principal method used to value property [1]	DC	DC	DC	
Capitalization rate / discount rate	5.00% to 8.00%	6.10% to 7.30%	6,75%	
Terminal capitalization rate	6,42%	7,10%	6,75%	
Impact on the fair value of investment properties of :				
an increase of 25 bps on the cap rate and/or discount rate	(10 436)	(1 911)	(1 415)	(13 761)
a decrease of 25 bps on the cap rate and/or discount rate	11 355	2 050	1 524	14 929

(1) "DC" for Direct Capitalization Method
(2) Including the fair market value for the Sablière property of €17,500 ($26,061) that is presented as an asset held for sale.

Right-of-use assets

The REIT leases various investment properties with a carrying amount of $168,734 (December 31, 2024 – $163,083) under leases which begin to expire in approximately 2 years (December 31, 2024: 3 years).

Note 6 – Investments in joint ventures

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

	Duisburg	Stuttgart	Delizy	Isenburg	Kosching	Total
Balance - December 31, 2023	**14 514**	**11 706**	**-**	**7 684**	**7 728**	**41 632**
Additional investment for the year	-	149	561	477	-	1 187
Share of net (loss) income from investments [1]	(2 167)	148	2 135	(2 930)	(367)	(3 181)
Impairment of loans to joint ventures [2]	-	-	(2 729)	-	-	(2 729)
Loan repayments received from joint ventures	-	-	-	-	(626)	(626)
Exchange differences	255	214	33	123	139	764
Balance - December 31, 2024	**12 602**	**12 217**	**-**	**5 354**	**6 874**	**37 047**
Share of net income (loss) from investments [1]	**(456)**	**(36)**	**(2 036)**	**1 158**	**(160)**	**(1 529)**
Exchange differences	**953**	**941**	**29**	**461**	**524**	**2 908**
Balance - June 30, 2025	**13 099**	**13 122**	**(2 007)**	**6 973**	**7 238**	**38 426**

(1) The share of net income (loss) from investments includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans for the six-months ended June 30, 2025 amounts to $1,480 (2024 - $1,391) and are included in "Finance income" (see note 16).

(2) The REIT recorded an impairment charge to reduce the loan advanced to Delizy to its recoverable amount.

The balance of investments in joint ventures as at June 30, 2025 includes loans to joint ventures for an amount of $24,454 which is detailed as follows:

Loans to joint ventures	Duisburg	Stuttgart	Delizy [1]	Isenburg	Kosching	Total
Gross Balance - June 30, 2025	11 956	10 497	12 716	703	(760)	35 112
Less: Cumulative ECL	-	-	(10 658)	-	-	(10 658)
Net Balance - June 30, 2025	**11 956**	**10 497**	**2 058**	**703**	**(760)**	**24 454**
Gross Balance - December 31, 2024	11 100	9 746	11 805	652	(705)	32 598
Less: Cumulative ECL	-	-	(9 430)	-	-	(9 430)
Net Balance - December 31, 2024	**11 100**	**9 746**	**2 375**	**652**	**(705)**	**23 168**

(1) Net balance for the REIT's loan to Delizy as at December 31, 2024 has been entirely offset by losses from the REIT's investment in joint venture upon inclusion of the loan as part of the REIT's overall investment in the Delizy JV under IAS 28.

Note 7 – Trade receivables and other financial assets

	Note	As at June 30, 2025	As at December 31, 2024
Trade receivables		**4 272**	3 560
Provision for impairment of trade receivables		**(1 288)**	(868)
Trade receivables		**2 984**	**2 692**
Other receivables		**1 175**	676
Other receivables - Inovalis SA	*20*	**491**	521
Interest receivable - Joint ventures - current	*20*	**6 620**	5 639
Other current financial assets		**8 286**	**6 836**
Total trade receivables and other financial assets		**11 270**	**9 528**

Note 8 – Cash, cash equivalents and restricted cash

Cash and cash equivalents

	As at June 30, 2025	As at December 31, 2024
Cash	12 605	6 249
Cash and cash equivalents	**12 605**	**6 249**

Restricted cash

		As at June 30, 2025	As at December 31, 2024
Capex reserve	Trio property	1 335	1 167
Mortgage loan reserve	Walpur property	281	-
Bank loan reserve	Delgado property	401	372
Others		79	72
Non current		**2 096**	**1 611**
Capex reserve	Trio property	321	370
Bank loan reserve	Gaia property	321	-
Bank loan reserve	Sablière property	-	1 281
Current		**642**	**1 651**
Restricted cash		**2 738**	**3 262**

Note 9 – Asset held for sale

		As at June 30, 2025	As at December 31, 2024
Investment property	Sablière property	-	26 061
Investment property	Baldi property	22 457	-
Total assets held for sale		**22 457**	**26 061**

<u>Baldi property</u>

In March 2025, the REIT received an offer from a third-party purchaser (the "Purchaser") relating to the Baldi property, which it then accepted on April 10, 2025. The Baldi property has a gross leasable area of 11,488 sqm (123,657 sq. ft.) and is located in Saint Ouen, in the Northern first ring of Paris.

Subsequent to the quarter end, on August 1, 2025, the REIT signed an exchange contract at a sale price of €14,000 ($22,457), subject to financing condition, and a scheduled disposition before the end of the year 2025 (See Note23).

Given all the criteria related to classification as an asset held for sale were met as of June 30, 2025, the Baldi property is presented on a separate line in the consolidated balance sheet as "Asset held for sale" as of June 30, 2025.

Note 10 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

Entity	Interest rate	Maturity	Total	Non-current	Current
			As at June 30, 2025		
Mortgage loan - Cancorp Trio	Euribor 3M + 2.50%	15/09/2025	36 991	-	36 991
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	3 969	-	3 969
Mortgage loan - Walpur Four	12%	12/11/2026	8 983	8 983	-
Mortgage loan - Gaia Nanterre SCI	1.91%	27/03/2027	34 809	34 809	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	23 502	22 721	781
Mortgage loans			**108 254**	**66 513**	**41 741**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	50 029	44 221	5 808
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	55 116	52 443	2 673
Lease liabilities			**105 145**	**96 664**	**8 481**
Total mortgage loans and lease liabilities			**213 399**	**163 177**	**50 222**

Entity	Interest rate	Maturity	Total	Non-current	Current
			As at December 31, 2024		
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	23/06/2026	12 721	-	12 721
Mortgage loan - Cancorp Trio	Euribor 3M + 2.50%	15/03/2025	42 584	-	42 584
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	4 458	-	4 458
Mortgage loan - Gaia Nanterre SCI	1.91%	27/03/2027	32 191	32 191	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 495	21 770	725
Mortgage loans			**114 449**	**53 961**	**60 488**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	47 159	45 832	1 327
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	53 628	49 920	3 708
Lease liabilities			**100 787**	**95 752**	**5 035**
Total mortgage loans and lease liabilities			**215 236**	**149 713**	**65 523**

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

	As at June 30, 2025		As at December 31, 2024	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**41 741**	**51 592**	60 488	50 817
After 1 year, but not more than 5 years	**66 513**	**58 676**	53 961	66 683
More than 5 years	-	-	-	-
	108 254	**110 268**	**114 449**	**117 500**
Less : future interest costs	-	**(2 014)**	-	(3 051)
Total mortgage loans	**108 254**	**108 254**	**114 449**	**114 449**

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

	As at June 30, 2025		As at December 31, 2024	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**8 481**	**12 433**	5 035	8 794
After 1 year, but not more than 5 years	**55 330**	**66 559**	56 036	67 235
More than 5 years	**41 334**	**42 648**	39 716	41 993
	105 145	**121 640**	**100 787**	**118 022**
Less : future interest costs	-	**(16 495)**	-	(17 235)
Total lease liabilities	**105 145**	**105 145**	**100 787**	**100 787**

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

Trio Property - Loan Extension

In March 2025, the REIT formally requested to extend the Final Repayment Date to September 15, 2025. On March 19, 2025, the senior lender, HCOB, confirmed the six-month extension of financing and agreed to a €5,500 loan repayment, that occurred on May 13, 2025, along with the waiver of the second mortgage on the Bad Homburg property. This repayment was funded by a €5,600 mezzanine loan on the Bad Homburg property, signed on April 16, 2025 with a drawdown on May 13, 2025 (see below).

Baldi SCI - Loan Covenants

The mortgage loan within the SCI Baldi entity is subject to two loan covenants, requiring the debt service coverage ratio ("DSCR") to be over 115% and the loan to value ("LTV") ratio to be less than 70%. These covenants are tested annually for compliance on June 30th, at which date if either of the covenants are not met, the mortgage loan becomes payable on demand. As at the most recent reference date, June 30th, 2024, the REIT was in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. The REIT is in negotiation with the senior lender to redesign the debt service scheme of this mortgage loan, but as there is no formal waiver in place as at June 30, 2025, the total carrying amount of the loan remains classified as a current liability due to the lender's right to repayment.

Walpur - New mezzanine loan

On April 16, 2025 (drawdown in May 2025), the REIT engaged in a new mezzanine financing for the Bad Homburg property. The 18-month mezzanine loan of €5,600 ($8,715) bears interest at 12% (6% paid quarterly and 6% at maturity) is dedicated to fund the partial repayment of the Trio mortgage loan (see above). Management's objective was to refinance this mezzanine loan with conventional financing, depending on progress on the reletting strategy.

Gaia Nanterre

The mortgage loan within the Gaia Nanterre entity is subject to two loan covenants, requiring the interest coverage ratio ("ICR") to be over 165% and the loan to value ("LTV") ratio to be less than 70%. These covenants are tested annually for compliance on December 31st, at which date if either of the covenants are not met, a cash trap situation is triggered where the distributions are blocked, and payments can only be made related to mortgage loan repayment, operating expenses and administrative expenses. As at the most recent reference date, December 31, 2024, the REIT is in breach of its ICR covenant. However, the carrying amount of the loan ($32,191) remains presented as a non-current liability as at December 31, 2024, as the covenant breach does not provide the senior lender with a right to early repayment on the loan.

Note 11 – Exchangeable securities

	Exchangeable securities	
Exchangeable securities issued and outstanding	**Number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Balance - December 31, 2023	**938 036**	**1 595**
Conversion of exchangeable securities into units of the REIT	(545 144)	(503)
Net change in fair value of exchangeable securities	-	(735)
Impact of foreign exchange	-	28
Balance - December 31, 2024	**392 892**	**385**
Net change in fair value of exchangeable securities	-	**31**
Impact of foreign exchange	-	**(62)**
Balance - June 30, 2025	**392 892**	**354**

Distribution in respect of Exchangeable Securities:

The Exchangeable Securities entitle the holder, Inovalis SA, to cash distributions from CCEU equal, on a per unit basis to the distributions paid to holders of units by the REIT. Since the suspension of distribution, Inovalis SA received interest on promissory notes from CCEU based on the contractual agreement, in the same way that the REIT received the interests on promissory notes from CCEU.

Note 11 – Exchangeable securities (cont'd)

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

	Note	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Amount payable at the beginning of the period		-	172	-	236
Declared and recognized in earnings during the period		-	-	-	-
Distribution on exchangeable securities paid in cash		-	(64)	-	(128)
Amount payable at the end of the period		**-**	**108**	**-**	**108**

Note 12 – Trade and other payables

	Note	As at June 30, 2025	As at December 31, 2024
Trade payables		**6 818**	**6 321**
Trade payables		**6 818**	**6 321**
Other payables		**627**	1 092
VAT payable		**1 580**	1 255
Other payables		**2 207**	**2 347**
Total trade and other payables		**9 025**	**8 668**

The year-on-year increase of trade payable is mainly due to IFRIC 21 (recognition of property taxes).

Note 13 – Provisions

As at June 30, 2025, the provisions include €165 ($264) related to the Arcueil property.

Note 14 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Regular rents	**4 481**	4 092	**8 815**	8 868
Rent free periods (lease incentives)	**(62)**	(30)	**(158)**	(175)
Rental income	**4 419**	4 062	**8 657**	8 693
Property operating cost recoveries	**1 159**	1 638	**2 511**	2 829
Total revenue	**5 579**	**5 700**	**11 168**	**11 522**

The property operating cost recoveries were as follows:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Property taxes	**382**	404	**762**	784
Insurance	**22**	12	**38**	116
Property management fees	**177**	158	**340**	281
Utilities and other cost recoveries	**578**	1 064	**1 371**	1 648
Property operating cost recoveries	**1 159**	**1 638**	**2 511**	**2 829**

Note 15 – Expenses

Property operating costs consist of the following:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Property tax expenses	**(154)**	(121)	**(3 882)**	(3 678)
Insurance expenses	**(65)**	(30)	**(153)**	(217)
Property management fees	**(225)**	(217)	**(436)**	(366)
Utilities and other costs	**(1 326)**	(1 685)	**(2 573)**	(2 895)
Total property operating costs	**(1 770)**	**(2 053)**	**(7 044)**	**(7 156)**

In accordance with IFRIC 21, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. For the six months ending June 30, 2025, the amount recognized is $1,787 (2024 - $2,607).

General and administrative expenses consist of the following:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Asset management fees	**(482)**	(502)	**(944)**	(1 001)
Less : amount invoiced to joint ventures	**313**	293	**613**	584
	(169)	(209)	**(331)**	(417)
Professional fees for accounting, tax and audit	**(427)**	(547)	**(985)**	(1 206)
Legal expenses	**(113)**	(186)	**(266)**	(337)
Trustee fees	**(89)**	(81)	**(153)**	(140)
Travel expenses	**(113)**	(135)	**(218)**	(219)
Governance expenses	**(81)**	(64)	**(157)**	(158)
Bank and depositary fees	**(66)**	(65)	**(117)**	(141)
Listing, transfer agent and publication fees	**(9)**	(9)	**(28)**	(23)
Other general and administrative expenses	**(336)**	(87)	**(464)**	(526)
Total general and admnsitrative expenses	**(1 403)**	**(1 383)**	**(2 720)**	**(3 167)**

Note 16 – Finance costs and finance income

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Interest costs related to mortgage loans	**(1 028)**	(786)	**(2 070)**	**(2 420)**
Interest costs related to lease liabilities	**(959)**	(1 469)	**(1 846)**	**(2 934)**
Interest SWAP and CAP	**-**	42	**-**	**513**
Other finance costs	**(41)**	(57)	**(213)**	**(73)**
Amortization of transaction costs on mortgage loans	**(57)**	(64)	**(129)**	**(127)**
Finance costs	**(2 085)**	**(2 334)**	**(4 258)**	**(5 041)**
Finance income from joint venture loans	**753**	703	**1 480**	**1 391**
Other finance income	**28**	1	**28**	**454**
Finance income	**781**	**704**	**1 508**	**1 845**

Note 17 – Trust units

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

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

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 11 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As of June 30, 2025, 392,892 Special Voting Units were issued and outstanding (December 31, 2024 – 392,892).

Note 18 – Accumulated other comprehensive income

	As at June 30, 2025	As at December 31, 2024
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	**2 816**	2 816
Cumulative translation adjustment account	**26 911**	12 850
Accumulated other comprehensive income	**29 727**	**15 666**

Change in cumulative translation adjustment account is $14,675 attributable to the Unitholders of the Trust of which $(127) is attributable to minority interest.

Note 19 - Unit-based compensation plan

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

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

On May 13, 2025, the REIT's unitholders approved an additional 700,034 units of the REIT for issuance upon the exercise of deferred units granted under the Plan.

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

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

	As at June 30, 2025	**As at December 31, 2024**
Outstanding at beginning of period	**157 240**	58 595
Elected DU	**41 814**	70 222
Exercised	**-**	(66 325)
ADUs earned	**-**	92 125
Forfeited	**-**	2 623
Outstanding at end of period	**199 054**	**157 240**

As of June 30, 2025, 199,054 DSUs are outstanding and 700,980 DSUs are available for grant under the DSU Plan.

Note 20 – Transactions with related parties

Inovalis SA – Asset manager

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

Unless otherwise stated, none of these transactions incorporated special terms and conditions. The amended management agreement allows for the management fees to be settled quarterly through the issuance of either exchangeable securities or in cash. During the six months ended June 30, 2025, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Asset management fees	Administration expenses	*A*	**(451)**	(209)	**(613)**	(417)
Facilities management fees	Service charge expenses		**(65)**	(76)	**(185)**	(130)
Property management fees	Service charge expenses	*B*	**(228)**	(181)	**(439)**	(327)
Letting fees invoiced	Service charge expenses		**(71)**	(34)	**(71)**	(34)
less portion accounted for over the lease term	Service charge expenses		**(64)**	(28)	**(64)**	(28)
Reimbursment of travel expenses	Administration expenses		**(39)**	(135)	**(144)**	(219)
Trustee fees	Administration expenses		**(89)**	(81)	**(153)**	(140)
			(1 007)	**(744)**	**(1 668)**	**(1 295)**

(A) *Asset management fees of $613 and $417 for the six-months ending June 30, 2025, and 2024 respectively, correspond to the asset management fees earned for the entire portfolio, including $613 and $584 attributable to assets held through joint ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.*

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

		Due from (to) Inovalis SA	
Inovalis and its subsidiaries	**Note**	**As at June 30, 2025**	**As at December 31, 2024**
Assets			
Trade and other receivables	*7*	**491**	521
		491	**521**
Liabilities			
Interest-bearing loan		**355**	272
Distributions payable	*11*	**-**	(5)
Exchangeable securities	*11*	**354**	385
		709	**652**

On April 30, 2025, the REIT completed the sale of the Sabliere investment property to a third-party. In conjunction with the sale, the REIT incurred disposition fees amounting to €182 ($286) paid to Inovalis SA. Additionally, the REIT paid a portion of broker fees totaling €278($437) to Advenis Conseil, a subsidiary of Inovalis SA. These broker fees were paid to secure the transaction and ensure that all parties involved were adequately compensated for their services. These transactions are considered related party transactions due to the affiliation between the REIT and Inovalis SA.

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

Joint ventures

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

	Financial statement line item	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Management fees invoiced to joint ventures	Administration expenses	**(313)**	(293)	**(613)**	(584)
Facilities management fees	Service charge expenses	**-**	-	**(34)**	-
Property management fees	Service charge expenses	**(74)**	(69)	**(179)**	(113)
Letting fees invoiced	Service charge expenses	**(22)**	(94)	**(22)**	(94)
less portion accounted for over the lease t	Service charge expenses	**(16)**	(92)	**(16)**	(92)
Finance income	Finance income	**753**	703	**1 480**	1 391
		328	**154**	**616**	**508**

	Financial statement line item	Due from joint ventures	
		As at June 30, 2025	As at December 31, 2024
Assets			
Loan receivable	Investments accounted for using the equity method	**24 454**	23 168
Interest receivables	Other financial assets - current	**6 620**	5 639
		31 074	**28 807**
Liabilities			
Management fees payables	Trade and other payables	**269**	**249**
		269	**249**

For more information on joint ventures, please refer to Note 6 – Investments in joint ventures.

Remuneration of key management personnel

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

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Wages, fees and other benefits	(89)	(81)	(153)	(140)
	(89)	**(81)**	**(153)**	**(140)**

Note 21 – Financial instruments and risk management

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

	As at June 30, 2025		
	Level 2	Level 3	Total
Investment properties	-	324 603	**324 603**
Investment property - classified as held for sale	-	22 457	**22 457**
Exchangeable securities	(354)	-	**(354)**

	As at December 31, 2024		
	Level 2	Level 3	Total
Investment properties	-	327 789	**327 789**
Investment property - classified as held for sale	-	26 061	**26 061**
Exchangeable securities	(385)	-	**(385)**

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

Fair value of financial assets and liabilities

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

(a) Mortgage loans

Mortgage loans are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at June 30, 2025.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using June 30, 2025, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as of June 30, 2025 of the mortgage loans has been estimated at $98,820 (December 31, 2024 – $113,145) compared with the carrying value before deferred financing costs of $108,254 (December 31, 2024 – $114,449). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Exchangeable Securities

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

Note 21 – Financial instruments and risk management (cont’d)

Risks associated with financial assets and liabilities

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk and currency risk.

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. The interest rate risk is mitigated by the REIT’s strategy using derivative financial instruments on mortgage loans and on the lease liabilities.

Currency risk

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

Liquidity Risk

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

Management has determined that there are no material uncertainties as to the REIT’s ability to operate as a going concern and sustain its operations for the twelve months following the date of the consolidated balance sheet. See Note 2 for key judgements made by management on arriving at this conclusion.

Specifically, as of June 30, 2025, current liabilities for the REIT exceeded current assets by $13,191 (December 31, 2024 - $58,680). This shortfall is as a result of the loans for Trio & Baldi being classified as current. The REIT is actively managing its liquidity risk with respect to these loans as follows:

A. **Trio Loan –** The Trio loan has been classified as current due to its upcoming maturity in Q3 of 2025. The REIT is in active negotiations with the lender (HCOB) to sign a long-term loan extension beyond Q3 2025, after exercising its 6-month extension option in Q1 of 2025. Prior success in negotiating extensions with HCOB, as well as current progress towards negotiating the long-term extension support the REIT’s ability to extend the loan beyond its upcoming maturity (See Note 4 – Going concern analysis).

B. **Baldi Loan –** Since the deleveraging of the Baldi mortgage loan in 2021, the lender exposure is down to 18% loan-to-value. As an offer to purchase Baldi has been accepted, the Baldi loan has been classified as a current liability associated with an asset held for sale. Subsequent to the quarter end, on August 1, 2025, the REIT signed an exchange contract for the disposition for the Sabliere property, subject to financing condition. Given that all the other terms of the Baldi loan have been met and based the status of the REIT’s regular communications with the lender, management has determined that there is no material risk of the bank exercising its repayment right, before the disposition is closed.

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

Management also notes that the REIT has the ability to unlock liquidity as required through the disposal of other marketable and in-demand assets (Metropolitan and Delgado). The sale of either of these assets would generate significant positive working capital that the REIT could use to minimize any existing liquidity risk.

Fair value of financial assets and liabilities

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

As at June 30, 2025	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	24 454	24 454
Financial liabilities			
Mortgage loans	2	108 254	98 256
Tenant deposits	2	2 482	2 482

As at December 31, 2024	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	23 168	23 168
Financial liabilities			
Mortgage loans	2	114 449	113 145
Tenant deposits	2	2 483	2 483

Note 22 – Cash flow information

	Note	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Adjustments for non-cash items and other reconciling items:			
Decrease in rent-free period	*5*	**90**	204
Net change in fair value of investment properties	*5*	**5 788**	31 305
Change in classification of finance costs in relation to mortgage loan		**(0)**	-
Net change in fair value of financial derivatives		**-**	415
Net change in fair value of exchangeable securities		**(31)**	(779)
Finance income	*16*	**(1 508)**	(1 845)
Finance costs	*16*	**4 258**	5 041
Share of net loss from investments in joint venture	*6*	**1 529**	2 140
Impairment of loans to joint ventures	*7*	**-**	1 034
Foreign exchange gain		**(46)**	-
		10 080	**37 515**
Working capital adjustments			
Increase (decrease) in trade and other receivables		**(2 270)**	758
Decrease in tenant deposits		**(220)**	(143)
Increase in trade and other payables		**(758)**	1 298
		(3 248)	**1 913**

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

Liabilities	As at December 31, 2024	Cash flows - issuance	Cash flows - repayment	Foreign exchange movement	Fair value changes	As at June 30, 2025
Exchangeable securities	385	-	-	(62)	31	**354**
Mortgage loans	114 449	8 753	(22 898)	7 950	-	**108 254**
Lease liabilities	100 787	-	(3 281)	7 639	-	**105 145**

Note 23 – Subsequent events

Baldi – Exchange contract

In March 2025, the REIT received an offer from a third-party purchaser (the "Purchaser") relating to the Baldi property, which it then accepted on April 10, 2025. The Baldi property has a gross leasable area of 11,488 sqm (123,657 sq. ft.) and is located in Saint Ouen, in the Northern first ring of Paris.

Subsequent to the quarter end, on August 1, 2025, the REIT signed an exchange contract at a sale price of €14,000 ($22,457), subject to financing condition, and a scheduled disposition before the end of the year 2025.

Corporate information

Head office

Inovalis REIT

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Investor relations

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Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

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

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