INOVALIS REAL ESTATE INVESTMENT TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

(Unaudited)

Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended June 30, 2024 and 2023

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, 2024 and 2023 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, 2024	As at December 31, 2023
Non-current assets			
Investment properties	*5*	**357 218**	412 967
Investments in joint ventures	*6*	**38 926**	41 632
Other financial assets		**404**	333
Restricted cash	*8*	**3 288**	4 973
Total non-current assets		**399 836**	**459 905**
Current assets			
Trade receivables and other financial assets	*7*	**9 029**	7 134
Derivative financial instruments	*22*	**71**	527
Other current assets		**4 063**	3 809
Restricted cash	*8*	**364**	196
Cash	*8*	**6 428**	12 489
Total current assets		**19 955**	**24 155**
Asset held for sale	*9*	**25 645**	-
Total assets		**445 435**	**484 060**

Liabilities and equity	Note	As at June 30, 2024	As at December 31, 2023
Liabilities			
Non-current liabilities			
Interest-bearing loan		**186**	186
Mortgage loans	*10*	**52 938**	65 710
Lease liabilities	*10*	**92 970**	96 179
Tenant deposits		**2 102**	2 224
Derivative financial instruments	*22*	**-**	110
Deferred tax liabilities		**477**	1 295
Total non-current liabilities		**148 673**	**165 704**
Current liabilities			
Interest-bearing loan		**56**	28
Mortgage loans	*10*	**60 385**	50 524
Lease liabilities	*10*	**6 843**	6 819
Tenant deposits		**180**	168
Derivative financial instruments	*22*	**484**	377
Exchangeable securities	*11*	**816**	1 595
Trade and other payables	*12*	**10 259**	7 356
Income tax payable		**2 066**	2 175
Deferred income		**1 180**	1 184
Provisions	*13*	**766**	765
Total current liabilities		**83 035**	**70 991**
Total liabilities		**231 708**	**236 695**
Equity			
Trust units	*18*	**288 156**	288 156
Deficit retained earnings		**(86 948)**	(53 230)
Accumulated other comprehensive income	*19*	**12 057**	11 492
Total unitholders' equity		**213 265**	**246 418**
Non-controlling interest		**462**	947
Total equity		**213 727**	**247 365**
Total liabilities and equity		**445 435**	**484 060**

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 — Robert Waxman

Chairman and Trustee — 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, 2024**	**For the three months ended June 30, 2023**	**For the six months ended June 30, 2024**	**For the six months ended June 30, 2023**
Rental revenue	*14*	**4 062**	7 571	**8 693**	14 896
Property operating cost recoveries	*14*	**1 638**	1 805	**2 829**	3 286
Property operating costs	*15*	**(2 053)**	(1 647)	**(7 156)**	(6 496)
Other revenues		**977**	2 625	**1 171**	2 643
Other property operating expenses		**(8)**	(14)	**(9)**	(27)
Net rental income		**4 616**	**10 340**	**5 528**	**14 302**
General and administrative expenses	*15*	**(1 383)**	(1 571)	**(3 167)**	(3 424)
Foreign exchange loss		**-**	61	**-**	55
Share of net income from joint ventures	*6*	**(4 044)**	(3 763)	**(3 174)**	(3 479)
Operating earnings (loss) income		**(811)**	**5 067**	**(813)**	**7 454**
Net change in fair value of Investment properties	*5*	**(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	*11*	**394**	525	**779**	366
Finance income	*16*	**704**	1 104	**1 845**	2 075
Finance costs	*16*	**(2 334)**	(1 985)	**(5 041)**	(3 318)
Distributions on Exchangeable securities	*11*	**-**	(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 recovery (expense)		**823**	(465)	**823**	(666)
Total income tax recovery (expense)		**783**	(475)	**740**	**(689)**
Net (loss) income		**(20 594)**	**2 977**	**(34 210)**	**4 595**
Net (loss) income attributable to:					
Non-controlling interest		**(454)**	(25)	**(492)**	(29)
Unitholders of the Trust		**(20 140)**	3 002	**(33 718)**	4 624
		(20 594)	**2 977**	**(34 210)**	**4 595**

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, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Net (loss) income for the period		**(20 594)**	**2 982**	**(34 210)**	4 595
Other comprehensive income (loss)					
Items that may be reclassified subsequently to income (loss) :					
Change in cumulative translation adjustment account		**760**	(4 080)	**555**	**(1 091)**
Other comprehensive income (loss)		**760**	**(4 080)**	**555**	**(1 091)**
Total comprehensive (loss) income		**(19 834)**	**(1 098)**	**(33 655)**	**3 504**
Total comprehensive (loss) income attributable to:					
Non-controlling interest		**(446)**	(39)	**(502)**	(49)
Unitholders of the Trust		**(19 388)**	(1 059)	**(33 153)**	3 553
Total comprehensive (loss) income		**(19 834)**	**(1 098)**	**(33 655)**	**3 504**

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 (loss)	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2022		32 778 699	289 940	(12 327)	9 366	286 979	1 198	288 177
Repurchase of Trust Units	*18*	-	(484)	-	-	(484)	-	(484)
Distributions earned by or declared to Unitholders		-	-	(6 761)	-	(6 761)	-	(6 761)
Issuance of units for payment of Trustee Fees			9	-	-	9	-	9
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	19	19
		-	(475)	(6 761)	-	(7 236)	19	(7 217)
Net income (loss) for the period		-	-	4 624	-	4 624	(29)	4 595
Other comprehensive loss		-	-	-	(1 071)	(1 071)	(20)	(1 091)
Comprehensive income (loss)		-	-	4 624	(1 071)	3 553	(49)	3 504
As at June 30, 2023		**32 778 699**	**289 465**	**(14 464)**	**8 295**	**283 296**	**1 168**	**284 464**
As at December 31, 2023		**32 594 711**	**288 156**	**(53 230)**	**11 492**	**246 418**	**947**	**247 365**
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	**17**	**17**
		-	**-**	**-**	**-**	**-**	**17**	**17**
Net loss for the period		**-**	**-**	**(33 718)**	**-**	**(33 718)**	**(492)**	**(34 210)**
Other comprehensive income (loss)		**-**	**-**	**-**	**565**	**565**	**(10)**	**555**
Comprehensive (loss) income		-	-	**(33 718)**	**565**	**(33 153)**	**(502)**	**(33 655)**
As at June 30, 2024	*19*	**32 594 711**	**288 156**	**(86 948)**	**12 057**	**213 265**	**462**	**213 727**

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, 2024**	**For the six months ended June 30, 2023**
Operating activities			
(Loss) income before income taxes		**(34 950)**	5 284
Interest received		**472**	2 553
Interest paid		**(5 041)**	(4 229)
Income tax paid		**-**	(23)
Distributions in respect of exchangeable securities paid in cash	*11*	**(128)**	(187)
Adjustments for non-cash items and other reconciling items	*23*	**37 515**	5 685
		(2 132)	**9 083**
Working capital adjustments	*23*	**1 913**	(7 316)
Net cash flows related to operating activities		**(219)**	**1 767**
Investing activities			
Additions to investment properties and capitalized letting fees	*5*	**(494)**	(248)
Additional loan advances to joint ventures	*6*	**(993)**	(728)
Loan repayments received from joint ventures	*6*	**617**	1 159
Net change in restricted cash		**1 532**	155
Net cash flows related to investing activities		**662**	**338**
Financing activities			
Distributions to unitholders	*17*	**-**	(6 767)
Repurchase of Trust units	*18*	**-**	(437)
Repayment of mortgage loans	*23*	**(3 155)**	(17 820)
Repayment of lease liabilities	*23*	**(3 403)**	(3 204)
Issuance of interest bearing loan		**28**	79
Net cash flows related to financing activities		**(6 530)**	**(28 149)**
Decrease increase in cash		**(6 088)**	**(26 044)**
Effects of foreign exchange adjustments on cash		**27**	(267)
Cash at the beginning of the period		**12 489**	**45 176**
Cash at the end of the period		**6 428**	**18 865**

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 six months ended June 30, 2024, were authorized for issuance by the Board of Trustees on August 8, 2024.

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 2023 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 21 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 of the REIT, the Chief Executive Officer ("CEO") of Inovalis SA is also a part of the management team 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 2023 annual audited consolidated financial statements.

The REIT 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. They have formed a judgement that there is a reasonable expectation that the REIT 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.

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 2023 annual audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

Comparative figures for the period ended June 30, 2023 have been reclassified to conform to the presentation adopted for the periods ended June 30, 2024 and December 31, 2023.

Note 3 – Recent accounting pronouncements adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the REIT's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of new standards effective in 2024.

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

Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the REIT.

Amendments to IFRS 16, Leases – Leases Arising from Sale and Leaseback Transactions:

In September 2022, the IASB issued amendments to IFRS 16 which specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

These amendments had no impact on the condensed interim consolidated financial statements of the REIT, as no sale-leaseback transactions occurred after date of initial application of IFRS 16 by the REIT.

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current and Non-current:

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

As a result of the amendments, the REIT reassessed the classification of its liabilities arising from loan agreements based on the updated criteria for classification as current or non-current. No changes to classification of liabilities arising from loan agreements were determined to be required as a result of the amendments. Additional disclosures will be made as required by the amendments in the consolidated financial statements for the year ended December 31, 2024.

Amendments to IAS 7 and IFRS 7, Statement of Cash Flows and Financial Instruments – Disclosures for Supplier Finance Arrangements:

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments to require additional disclosures regarding the characteristics of supplier finance arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024.

These amendments had no impact on the condensed interim consolidated financial statements of the REIT, as no supplier finance arrangements have been signed 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, 2023.

Going concern analysis

The REIT has prepared a cash flow forecast which involves judgements and estimations based on management's input of key variables and market conditions, including the future economic conditions and ongoing discussions with third parties, notably financing institutions. The twelve-month cash flow forecast has been determined based on projected income and expenses of the business and working capital needs. Further details on going concern analysis and liquidity risk are disclosed in Note 22.

The REIT 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 going concern assumption. They have formed a judgement that there is a reasonable expectation that the REIT 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.

Note 5 – Investment properties

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

	For the six months ended June 30, 2024	For the year ended December 31, 2023
Balance, beginning of the period	**412 967**	437 422
Capex	**581**	633
Change in capitalized letting fees	**(87)**	(72)
Rent free periods	**(204)**	(443)
Net change in fair value of investment properties	**(31 305)**	(28 117)
Foreign currency translation adjustment	**910**	3 544
Asset classified as held for sale	**(25 645)**	-
Balance, end of the period	**357 218**	**412 967**

All of the REIT's investment properties with a fair value of $357,218 (December 31, 2023 - $412,967) are pledged as security for an amount of $213,137 (December 31, 2023 - $219,233) in mortgage loans and lease liabilities.

Appraisal capitalization and discount rates

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. The 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 the REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties, German properties, and Spanish property. The REIT's investment properties were last appraised by an external evaluator as of June 30, 2024. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

				As at June 30, 2024
	France [2]	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	**195 391**	**42 900**	**26 500**	**264 791**
Option costs	**(2 523)**	**-**	**-**	**(2 523)**
Adjusted market value in Euros	**192 868**	**42 900**	**26 500**	**262 268**
Exchange adjustment	**89 761**	**19 966**	**12 333**	**122 060**
Adjusted market value in CAD$	**282 629**	**62 866**	**38 833**	**384 328**
Principal method used to value property [1]	**DC**	**DC**	**DC**	
Capitalization rate / discount rate	**4.85% to 8.00%**	**6.50% to 7.30%**	**6,75%**	
Terminal capitalization rate	**6,34%**	**6,74%**	**6,75%**	
Impact on the fair value of investment properties of :				
an increase of 25 bps on the cap rate and/or discount rate	**(11 602)**	**(2 369)**	**(1 491)**	**(15 462)**
a decrease of 25 bps on the cap rate and/or discount rate	**12 681**	**2 563**	**1 615**	**16 858**

(1) "DC" for Direct Capitalization Method
(2) Included in the adjusted market value for the properties in France is the Sablière Property, which has a market value of €17,500 (CAD$ 25,645) that is presented as an asset held for sale

				As at December 31, 2023
	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	205 800	50 700	28 350	284 850
Option costs	(2 460)	-	-	(2 460)
Adjusted market value in Euros	**203 340**	**50 700**	**28 350**	**282 390**
Exchange adjustment	94 024	23 444	13 109	130 577
Adjusted market value in CAD$	**297 364**	**74 144**	**41 459**	**412 967**
Principal method used to value property [1]	DC	DC	DC	
Capitalization rate / discount rate	4.75% to 7.50%	6.15% to 7.00%	6.25%	
Terminal capitalization rate	6,10%	6,38%	6,25%	
Impact on the fair value of investment properties of :				
an increase of 25 bps on the cap rate and/or discount rate	(12 090)	(2 802)	(1 595)	(16 487)
a decrease of 25 bps on the cap rate and/or discount rate	13 203	3 032	1 727	17 963

(1) "DC" for Direct Capitalization Method

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $173,807 (December 31, 2023 – $186,953) under leases which begin to expire in approximately 3 years (December 31, 2023: 4 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[2]	Isenburg	Kosching	Total
Balance - December 31, 2022	**16 857**	**15 317**	**3 066**	**11 396**	**9 057**	**55 693**
Additional investment for the period	-	-	730	-	-	730
Share of net loss from investments [1]	(2 476)	(3 512)	(595)	(2 922)	(1 255)	(10 761)
Impairment of investment in joint ventures [2]	-	-	(3 223)	-	-	(3 223)
Loan repayments received from joint ventures	-	(219)	-	(876)	(146)	(1 241)
Exchange differences	133	120	22	86	73	434
Balance - December 31, 2023	**14 514**	**11 706**	**-**	**7 684**	**7 728**	**41 632**
Additional investment for the period	**-**	**147**	**376**	**470**	**-**	**993**
Share of net (loss) income from investments [1]	**(1 151)**	**94**	**640**	**(1 283)**	**(440)**	**(2 140)**
Impairment of loans to joint ventures[2]	**-**	**-**	**(1 034)**	**-**	**-**	**(1 034)**
Loan repayments received from joint ventures	**-**	**-**	**-**	**-**	**(617)**	**(617)**
Exchange differences	**20**	**21**	**18**	**15**	**18**	**92**
Balance - June 30, 2024	**13 383**	**11 968**	**-**	**6 886**	**6 689**	**38 926**

(1) *The share of net (loss) income 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, 2024 amounts to $1,391 (2023- $1,366) and are included in "Finance income" (see note 16)).*

(2) *The REIT has only recognized a portion of its share of net loss from Delizy joint venture to bring its investment to nil. The REIT has not recognized a liability for any additional losses as it has no legal or constructive obligation to provide any additional funding to the Delizy joint venture as at June 30, 2024.*

The balance of investments in joint ventures as at June 30, 2024 includes loans to joint ventures for an amount of $24,270 which is detailed as follows:

Loans to joint ventures	Duisburg	Stuttgart	Delizy[1]	Isenburg	Kosching	Total
Gross Balance - June 30, 2024	10 923	9 590	11 440	644	(695)	31 902
Less: Cumulative ECL	-	-	(7 632)	-	-	(7 632)
Net Balance - June 30, 2024	**10 923**	**9 590**	**3 808**	**644**	**(695)**	**24 270**
Gross Balance - December 31, 2023	10 900	9 425	11 023	174	(79)	31 443
Less: Cumulative ECL	-	-	(6 546)	-	-	(6 546)
Net Balance - December 31, 2023	**10 900**	**9 425**	**4 477**	**174**	**(79)**	**24 897**

(1) *Net balance for the REIT's loan to Delizy as at June 30, 2024 and December 31, 2023 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.*

Neu Isenburg

On February 15, 2024, the REIT successfully refinanced the HCOB €22,800 ($33,342) mortgage loan of the Neu Isenburg property, held within the Neu Isenburg JV, with a new lender, DZHYP for €21,400 ($31,295).

The new loan, maturing in February 2025, will bear interest at 1.59% margin on top of the EURIBOR 3-month floating rate and will require quarterly cash reserve payments for an annual amount of €550 ($804). This refinancing allows Management to work on the reletting of the 20% vacant areas and plan for the exit strategy.

Kosching

On January 31, 2024, the REIT successfully extended the DZHYP €14,000 ($20,473) mortgage loan of the Kosching property, held within the Kosching JV.

Under the extension to January 2025, the loan will bear interest at 1.55% margin on top of the EURIBOR 3-month floating rate and will require quarterly cash reserve payments for an annual amount of €520 ($760). This one-year extension provides time to reassess the partner's strategy for this fully let property.

Delizy

On April 8, 2024, the REIT successfully extended €257 ($376) mortgage loan of the Delizy property, held within the Delizy JV.

Note 6 – Investments in joint ventures (cont'nd)

Additional loans from joint venture

During the period-ended June 30, 2024 an additional loan from joint ventures of €420 ($617) occurred for Kosching.

Note 7 – Trade and other receivables

	Note	As at June 30, 2024	As at December 31, 2023
Trade receivables		**3 819**	3 449
Provision for impairment of trade receivables		**(684)**	(858)
Trade receivables		**3 135**	**2 591**
Other receivables		**756**	662
Other receivables - Inovalis SA	*21*	**250**	366
Interest receivable - Joint ventures - current	*21*	**4 888**	3 515
Other current financial assets		**5 894**	**4 543**
Total trade receivables and other financial assets		**9 029**	**7 134**

Note 8 – Cash, cash equivalents and restricted cash

Cash and cash equivalents

	As at June 30, 2024	As at December 31, 2023
Cash on hand	6 428	10 489
Short term deposit	-	2 000
Cash and cash equivalents	**6 428**	**12 489**

Restricted cash

		Note	As at June 30, 2024	As at December 31, 2023
Capex reserve	Trio property	*10*	1 217	3 273
Bank loan reserve	Sablière property		1 632	1 628
Bank loan reserve	Delgado property		367	-
Others			72	72
Non current			**3 288**	**4 973**
Capex reserve	Trio property		364	53
Others			-	143
Current			**364**	**196**
Restricted cash			**3 652**	**5 169**

Note 9 – Asset held for sale

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

The Sabliere property has a gross leasable area of 3,813 sqm (41,043 sq. ft.) and is located in the 14^{th} District of Paris.

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. As such, by virtue of the relationship between the REIT and the Purchaser, the Sabliere Sale could 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 a special meeting of Unitholders to be held on September 4, 2024, where Unitholders will be asked to consider and, if thought advisable, pass an ordinary resolution approving the sale of the Sabliere property to the Purchaser.The REIT and the Purchaser have agreed in principle to a sale of the Property at net sale price of €17,500 ($25,645) subject to the parties entering into a definitive purchase agreement (the "**Sabliere Sale Agreement**"). The sale is not subject to transaction costs (broker fees and 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 Meeting.

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

Note 10 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

			As at June 30, 2024		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI [1]	Euribor 3M + 1.59%	23/06/2026	13 100	-	13 100
Mortgage loan - Cancorp Trio	Euribor 3M + 2.5%	15/03/2025	42 017	-	42 017
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	4 555	-	4 555
Mortgage loan - Gaia Nanterre SCI	1.91%	31/03/2027	31 564	31 564	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 087	21 374	713
Mortgage loans			**113 323**	**52 938**	**60 385**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	47 108	42 658	4 450
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	52 705	50 312	2 393
Lease liabilities			**99 813**	**92 970**	**6 843**
Total mortgage loans and lease liabilities			**213 136**	**145 908**	**67 228**

(1) The Sabliere mortgage loan, with a maturity date in June 2026, is presented as current liability due to the classification of the Sablière Property as an asset held for sale.

			As at December 31, 2023		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	23/06/2026	13 758	12 334	1 424
Mortgage loan - Cancorp Trio	1.56%	15/03/2024	43 394	-	43 394
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	4 994	-	4 994
Mortgage loan - Gaia Nanterre SCI	1.91%	31/03/2027	31 382	31 382	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 706	21 994	712
Mortgage loans			**116 234**	**65 710**	**50 524**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	49 242	44 783	4 459
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	53 756	51 396	2 360
Lease liabilities			**102 998**	**96 179**	**6 819**
Total mortgage loans and lease liabilities			**219 232**	**161 889**	**57 343**

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

	As at June 30, 2024		As at December 31, 2023	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**60 385**	**61 498**	50 524	52 184
After 1 year, but not more than 5 years	**52 938**	**55 529**	65 710	69 187
More than 5 years	-	-	-	-
	113 323	**117 027**	**116 234**	**121 371**
Less : future interest costs	-	**(3 704)**	-	(5 137)
Total mortgage loans	**113 323**	**113 323**	**116 234**	**116 234**

Note 10 – Mortgage loans and lease liabilities (con'td)

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

	As at June 30, 2024		As at December 31, 2023	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**6 843**	**12 286**	6 819	12 440
After 1 year, but not more than 5 years	**52 590**	**65 368**	54 591	68 732
More than 5 years	**40 380**	**44 229**	41 588	46 731
	99 813	**121 883**	**102 998**	**127 903**
Less : future interest costs	**-**	**(22 070)**	-	(24 905)
Total lease liabilities	**99 813**	**99 813**	**102 998**	**102 998**

Trio – Loan extension

On June 12, 2024, the mortgage loan within Trio was extended to March 15, 2025 with $1,450 amortization paid out of the restricted cash - capex reserve (Note 8). As the mortgage loan remains due within the next 12 months, the total carrying amount of the loan remains a current liability. During the six-month period ending on June 30, 2024, the REIT recognized a modification loss of $73 in other finance expenses on extension, in addition to $632 in additional penalty interest that was due to the lender. The loan extension was accounted for as an extinguishment and issuance of a new loan, with a gain/loss on extinguishment equal to the transaction costs incurred on the extension.

Baldi SCI – Loan covenant breach

As at June 30, 2024, the REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Baldi SCI. The covenant requirement of 115% is in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. As there is currently no waiver in place as at June 30, 2024, the total carrying amount of the loan remains classified, outstanding as a current liability due to the lender's right to repayment.

Note 11 – Exchangeable securities

	Exchangeable securities	
Exchangeable securities issued and outstanding	**Number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Balance - December 31, 2022	**938 036**	**3 536**
Conversion of exchangeable securities into units of the REIT	-	(1 941)
Balance - December 31, 2023	**938 036**	**1 595**
Net change in fair value of exchangeable securities	-	**(779)**
Balance - June 30, 2024	**938 036**	**816**

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.

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

	For the three months ended June 30, 2024	**For the three months ended June 30, 2023**	**For the six months ended June 30, 2024**	**For the six months ended June 30, 2023**
Amount payable at the beginning of the period	**172**	236	**236**	236
Declared and recognized in earnings during the period	**-**	97	**-**	194
Distribution on exchangeable securities paid in cash	**(64)**	(90)	**(128)**	(187)
Amount payable at the end of the period	**108**	**243**	**108**	**243**

Note 12 – Trade and other payables

	Note	As at June 30, 2024	As at December 31, 2023
Trade payables		**7 171**	4 452
Trade payables		**7 171**	**4 452**
Other payables		**248**	215
Distributions payable - Inovalis SA	*21*	**108**	259
VAT payable		**2 732**	2 430
Other payables		**3 088**	**2 904**
Total trade and other payables		**10 259**	**7 356**

Note 13 – Provisions

As at June 30, 2024, the provisions include €358 ($524) related to the Veronese property (sold in 2022), dating back to 2017, and €165 ($242) related to the Arcueil property added as at December 31,2023.

Note 14 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Regular rents	**4 092**	7 623	**8 868**	14 901
Amortization of Lease incentives	**(30)**	(52)	**(175)**	(5)
Rental income	**4 062**	7 571	**8 693**	14 896
Property operating cost recoveries	**1 638**	1 805	**2 829**	3 286
Total revenue	**5 700**	**9 376**	**11 522**	**18 182**

The property operating cost recoveries were as follows:

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Taxes	**404**	742	**784**	1 412
Insurance	**12**	24	**116**	134
Property management fees	**158**	263	**281**	538
Utilities and other cost recoveries	**1 064**	776	**1 648**	1 202
Property operating cost recoveries	**1 638**	**1 805**	**2 829**	**3 286**

Note 15 – Expenses

Property operating costs consist of the following:

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Property tax expense	**(121)**	**(82)**	**(3 678)**	(3 305)
Insurance expenses	**(30)**	**(34)**	**(217)**	(168)
Property management fees	**(217)**	**(277)**	**(366)**	(611)
Utilities and other costs	**(1 685)**	**(1 254)**	**(2 895)**	(2 412)
Total property operating costs	**(2 053)**	**(1 647)**	**(7 156)**	**(6 496)**

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 ended June 30, 2024, the amount recognized is $1,746 (2023 - $2,407).

General and administrative expenses consist of the following:

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Asset management fees	**(502)**	(548)	**(1 001)**	(1 101)
Less : amount invoiced to joint ventures	**293**	291	**584**	579
	(209)	(257)	**(417)**	(522)
Professional fees for accounting, tax and audit	**(547)**	(641)	**(1 419)**	(1 509)
Legal expenses	**(186)**	(71)	**(337)**	(205)
Trustee fees	**(81)**	(75)	**(140)**	(178)
Travel expenses	**(135)**	(117)	**(219)**	(235)
Governance expenses	**(64)**	(86)	**(158)**	(175)
Bank and depositary fees	**(65)**	(159)	**(141)**	(220)
Listing, transfer agent and publication fees	**(9)**	(8)	**(23)**	(54)
Other general and administrative expenses	**(87)**	(157)	**(313)**	(326)
Total general and admnsitrative expenses	**(1 383)**	**(1 571)**	**(3 167)**	**(3 424)**

Note 16 – Finance costs and finance income

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Interest costs related to mortgage loans	**(786)**	(978)	**(2 420)**	(1 709)
Interest costs related to lease liabilities	**(1 469)**	(1 284)	**(2 934)**	(2 383)
Interest SWAP and CAP	**42**	324	**513**	911
Other finance costs	**(57)**	15	**(73)**	(17)
Amortization of transaction costs on mortgage loans	**(64)**	(62)	**(127)**	(120)
Finance costs	**(2 334)**	**(1 985)**	**(5 041)**	**(3 318)**
Finance income from joint venture loans	**703**	682	**1 391**	**1 366**
Other finance income	**1**	422	**454**	**709**
Finance income	**704**	**1 104**	**1 845**	**2 075**

Other finance income includes $436 of income related to the sale of monthly foreign exchange contracts with Banque Palatine.

The interests on SWAP and CAP contracts is presented in net in finance costs. For the six-month ended June 30 2023, $911 were reclassified from the line "Other finance income" to "Interest Swap and Cap" for consistency with 2024 presentation.

Note 17 – Distributions

	Note	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Amount payable at the beginning of the period		**1 133**	1 133	**1 133**	1 133
Declared and recognised during the period		**-**	3 381	**-**	6 761
Paid in cash		**-**	(3 387)	**-**	(6 767)
Amount payable at the end of the period	*11*	**1 133**	**1 127**	**1 133**	**1 127**

On November 13, 2023, the REIT announced the suspension of monthly distributions to unitholders until further notice. The amount of distributions payable as at June 30, 2023 is included in "Trade and other payables".

Note 18 – Trust units

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

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

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 11 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at June 30, 2024, 938,036 Special Voting Units were issued and outstanding (December 31, 2023 – 938,036).

Note 19 – Accumulated other comprehensive income

	As at June 30, 2024	As at December 31, 2023
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	**2 820**	2 820
Cumulative translation adjustment account	**9 237**	8 672
Accumulated other comprehensive income	**12 057**	**11 492**

Note 20 - Unit-based compensation plan

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

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

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

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

	As at June 30, 2024	**As at December 31, 2023**
Outstanding at beginning of period	**58 595**	39 398
Elected DU	**43 974**	29 913
Exercised	**-**	(22 112)
ADUs earned	**-**	6 140
Forfeited	**2 623**	5 256
Outstanding at end of period	**105 192**	**58 595**

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

Note 21 – 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, 2024, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Expenses						
Asset management fees	Administration expenses	*A*	**(209)**	(257)	**(417)**	(522)
Facilities management fees	Service charge expenses		**(76)**	-	**(130)**	(39)
Property management fees	Service charge expenses	*B*	**(181)**	(241)	**(327)**	(528)
Letting fees invoiced	Service charge expenses		**(34)**	-	**(34)**	-
less portion accounted for over the lease term	Service charge expenses		**(28)**	-	**(28)**	-
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**-**	(98)	**-**	(194)
Interest expense on lease equalization loans	Finance costs		**(31)**	(8)	**(31)**	(13)
Reimbursment of travel expenses	Administration expenses		**(135)**	(117)	**(219)**	(235)
Trustee fees	Administration expenses		**(81)**	(75)	**(140)**	(178)
			(775)	**(796)**	**(1 326)**	**(1 709)**

(A) *Asset management fees of $1,001 and $1,101 for the six-months ended June 30, 2024, and June 30, 2023 respectively, correspond to the asset management fees earned for the entire portfolio, including $584 and $579 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, 2024**	**As at December 31, 2023**
Assets			
Trade and other receivables	*7*	**250**	366
		250	**366**
Liabilities			
Interest-bearing loan		**242**	214
Distributions payable	*11*	**108**	237
Exchangeable securities	*11*	**816**	1 595
		1 166	**2 046**

Note 21 – 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, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Management fees invoiced to joint ventures	Administration expenses	**(293)**	(291)	**(584)**	(579)
Property management fees	Service charge expenses	**(69)**	(194)	**(113)**	(259)
Letting fees invoiced	Service charge expenses	**(94)**	-	**(94)**	-
less portion accounted for over the leas	Service charge expenses	**(92)**	-	**(92)**	-
Finance income	Finance income	**703**	682	**1 391**	1 366
		154	**197**	**508**	**528**

	Financial statement line item	Due from joint ventures As at June 30, 2024	 As at December 31, 2023
Assets			
Loan receivable	Investments accounted for using	**24 270**	24 897
Interest receivables	Other financial assets - current	**4 888**	3 515
		29 158	**28 412**
Liabilities			
Balance of sale payable	Trade and other payables	**320**	**161**
		320	**161**

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, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Wages, fees and other benefits	(81)	(75)	(140)	(178)
	(81)	**(75)**	**(140)**	**(178)**

Note 22 – 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, 2024	Level 2	Level 3	Total
Investment properties	-	357 218	**357 218**
Investment property - classified as held for sale	-	25 645	**25 645**
Derivative financial instruments - assets	71	-	**71**
Derivative financial instruments - liabilities	(484)	-	**(484)**
Exchangeable securities	(816)	-	**(816)**

As at December 31, 2023	Level 2	Level 3	Total
Investment properties	-	412 967	**412 967**
Derivative financial instruments - assets	527	-	**527**
Derivative financial instruments - liabilities	(487)	-	**(487)**
Exchangeable securities	(1 595)	-	**(1 595)**

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, 2024.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using June 30, 2024, 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 has been 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.

(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.

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.

Note 22 – Financial instruments and risk management (Cont'd)

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

In arriving at the above conclusion, management has considered that as at June 30, 2024, current liabilities exceeded current assets by $63,080 (December 31, 2023 - $46,836). The shortfall is due to the following:

A. Trio Mortgage Loan - Classified as current due to upcoming maturity - $42,017

B. Baldi Mortgage Loan - Classified as current due to breach over loan covenant since Q2 2022 - $4,555

C. Sabliere Mortgage Loan – Classified as current due to the classification of the Sabliere property as asset held for sale – $13,100 (Note 9)

Management has concluded that the REIT's has the ability to sustain its operations within the next 12-months, despite the following:

A. **Trio Mortgage Loan –** The REIT successfully completed the one-year extension of the mortgage loan with the senior lender HCOB of the Trio property ($30m FMV and 78% occupancy rate), now maturing in March 2025.
B. **Baldi Mortgage Loan -** The REIT has kept the senior lender – SOCFIM - regularly informed about the Baldi redevelopment opportunity and related arbitrage plans (considering the 32% occupancy rate). Since the late 2021 massive deleverage ($11.5m), the bank exposure is down to a 18% loan-to-value (supported by Q4 2023 external valuation report of $26.7m), and management estimates that, based on its regular exchanges with SOCFIM since then, SOCFIM would not seek loan acceleration as all other terms of the loan are met.
C. **Sabliere Mortgage Loan –** The related loan ($13.1m) will be repaid after the sale of the asset (please refer to the Note 9).

Management also notes that the REIT is already executing its asset recycling plan and joint venture wind up to unlock additional liquidity as required, including the disposal of Sabliere and Arcueil (the recent offers received are being considered) 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 these transactions 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.

Note 22 – Financial instruments and risk management (Cont'd)

As at June 30, 2024	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	24 270	24 270
Financial liabilities			
Mortgage loans	2	113 323	110 808
Tenant deposits	2	2 282	2 282

As at December 31, 2023	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	24 896	24 896
Financial liabilities			
Mortgage loans	2	116 234	113 897
Tenant deposits	2	2 392	2 392

Note 23 – Cash flow information

	Note	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Adjustments for non-cash items and other reconciling items:			
Decrease in rent-free period	*5*	**204**	91
Net change in fair value of investment properties	*5*	**31 305**	(654)
Net change in fair value of financial derivatives		**415**	1 753
Distributions recognized on exchangeable securities	*11*	**-**	194
Net change in fair value of exchangeable securities		**(779)**	(366)
Finance income	*16*	**(1 845)**	**(2 075)**
Finance costs	*16*	**5 041**	**3 318**
Share of net loss from investments in joint venture	*6*	**2 140**	3 479
Impairment of loans to joint ventures	*6*	**1 034**	-
Foreign exchange gain		**-**	(55)
		37 515	**5 685**
Working capital adjustments			
Increase in trade and other receivables		**758**	(2 395)
Decrease in tenant deposits		**(143)**	(103)
Increase (decrease) in trade and other payables		**1 298**	(4 818)
		1 913	**(7 316)**

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

Liabilities	As at December 31, 2023	Cash flows - repayment	Foreign exchange movement	Fair value changes	As at June 30, 2024
Exchangeable securities	1 595	-	-	(779)	**816**
Mortgage loans	116 234	(3 155)	244	-	**113 323**
Lease liabilities	102 998	(3 403)	218	-	**99 813**

Note 24 – Subsequent events

No subsequent events at the date of authorization of these interim condensed financial statements.

Corporate information

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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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