INOVALIS REAL ESTATE INVESTMENT TRUST
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024

(Unaudited)

Disclosure of non-review of interim condensed consolidated financial statements for the quarters ended September 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 September 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 September 30, 2024	As at December 31, 2023
Non-current assets			
Investment properties	*5*	**358 639**	412 967
Investments in joint ventures	*6*	**39 591**	41 632
Other financial assets		**415**	333
Restricted cash	*8*	**1 703**	4 973
Total non-current assets		**400 348**	**459 905**
Current assets			
Trade receivables and other financial assets	*7*	**11 403**	7 134
Derivative financial instruments	*22*	**32**	527
Other current assets		**3 404**	3 809
Restricted cash	*8*	**1 669**	196
Cash	*8*	**7 163**	12 489
Total current assets		**23 671**	**24 155**
Asset held for sale	*9*	**26 355**	-
Total assets		**450 374**	**484 060**

Liabilities and equity	Note	As at September 30, 2024	As at December 31, 2023
Liabilities			
Non-current liabilities			
Interest-bearing loan		**191**	186
Mortgage loans	*10*	**54 485**	65 710
Lease liabilities	*10*	**97 706**	96 179
Tenant deposits		**2 241**	2 224
Derivative financial instruments	*22*	**-**	110
Deferred tax liabilities		**490**	1 295
Total non-current liabilities		**155 113**	**165 704**
Current liabilities			
Interest-bearing loan		**75**	28
Mortgage loans	*10*	**61 329**	50 524
Lease liabilities	*10*	**5 294**	6 819
Tenant deposits		**316**	168
Derivative financial instruments	*22*	**703**	377
Exchangeable securities	*11*	**1 041**	1 595
Trade and other payables	*12*	**12 248**	7 356
Income tax payable		**2 123**	2 175
Deferred income		**914**	1 184
Provisions	*13*	**788**	765
Total current liabilities		**84 831**	**70 991**
Total liabilities		**239 944**	**236 695**
Equity			
Trust units	*18*	**288 199**	288 156
Deficit retained earnings		**(96 366)**	(53 230)
Accumulated other comprehensive income	*19*	**18 125**	11 492
Total unitholders' equity		**209 958**	**246 418**
Non-controlling interest		**472**	947
Total equity		**210 430**	**247 365**
Total liabilities and equity		**450 374**	**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
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 September 30, 2024**	**For the three months ended September 30, 2023**	**For the nine months ended September 30, 2024**	**For the nine months ended September 30, 2023**
Rental revenue	*14*	**4 688**	4 972	**13 381**	19 868
Property operating cost recoveries	*14*	**773**	1 231	**3 600**	4 517
Property operating costs	*15*	**(1 741)**	(1 292)	**(8 898)**	(7 788)
Other revenues		**9**	-	**1 180**	2 643
Other property operating expenses		**(211)**	(81)	**(220)**	(108)
Net rental income		**3 518**	**4 830**	**9 043**	**19 132**
General and administrative expenses	*15*	**(1 437)**	(1 210)	**(4 602)**	(4 634)
Foreign exchange loss		**(2)**	(54)	**(2)**	-
Share of net loss from joint ventures	*6*	**(655)**	(198)	**(3 830)**	(3 677)
Operating earnings income		**1 424**	**3 368**	**609**	**10 821**
Net change in fair value of Investment properties	*5*	**(8 555)**	(760)	**(39 860)**	(106)
Net change in fair value of Financial derivatives		**(276)**	(684)	**(691)**	(2 437)
Net change in fair value of Exchangeable securities	*11*	**(226)**	350	**554**	716
Finance income	*16*	**718**	1 164	**2 564**	4 151
Finance costs	*16*	**(2 465)**	(1 924)	**(7 507)**	(6 153)
Distributions on Exchangeable securities	*11*	**-**	(83)	**-**	(277)
(Loss) Income before income taxes		**(9 380)**	**1 431**	**(44 331)**	**6 715**
Current income tax expense		**(50)**	(31)	**(133)**	(54)
Deferred income tax recovery (expense)		**6**	(106)	**829**	(772)
Total income tax (recovery)		**(44)**	(137)	**696**	**(826)**
Net (loss) income		**(9 424)**	**1 294**	**(43 635)**	**5 889**
Net income (loss) attributable to:					
Non-controlling interest		**(7)**	34	**(499)**	6
Unitholders of the Trust		**(9 417)**	1 260	**(43 136)**	5 883
		(9 424)	**1 294**	**(43 635)**	**5 889**

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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Net (loss) income for the period		**(9 424)**	**1 294**	**(43 635)**	**5 889**
Other comprehensive income (loss)					
Items that may be reclassified subsequently to income (loss) :					
Change in cumulative translation adjustment account		**6 165**	(1 892)	**6 642**	(3 009)
Other comprehensive income (loss)		**6 165**	**(1 892)**	**6 642**	**(3 009)**
Total comprehensive income (loss)		**(3 259)**	**(598)**	**(36 993)**	**2 880**
Total comprehensive income (loss) attributable to:					
Non-controlling interest		**9**	26	**(490)**	(23)
Unitholders of the Trust		**(3 268)**	(624)	**(36 503)**	2 903
Total comprehensive income (loss)		**(3 259)**	**(598)**	**(36 993)**	**2 880**

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

Interim Consolidated Statements of Changes in Equity
For the nine months ended September 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		(206 100)	(1 814)	1 130	-	(684)	-	(684)
Distributions earned by or declared to Unitholders	*18*	-	-	(10 124)	-	(10 124)	-	(10 124)
Issuance of units for payment of Trustee Fees	*18*	3 846	9	-	-	9	-	9
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	18	18
		(202 254)	(1 805)	(8 994)	-	(10 799)	18	(10 781)
Net income (loss) for the period		-	-	5 883	-	5 883	6	5 889
Other comprehensive loss		-	-	-	(2 980)	(2 980)	(29)	(3 009)
Comprehensive income (loss)		-	-	5 883	(2 980)	2 903	(23)	2 880
As at September 30, 2023		**32 576 445**	**288 135**	**(15 438)**	**6 386**	**279 083**	**1 193**	**280 276**
As at December 31, 2023		**32 594 711**	**288 156**	**(53 230)**	**11 492**	**246 418**	**947**	**247 365**
Repurchase of Trust Units		**35 430**	**43**	**-**	**-**	**43**	**-**	**43**
Foreign exchange impact on Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**15**	**15**
		35 430	**43**	**-**	**-**	**43**	**15**	**58**
Net loss for the period		**-**	**-**	**(43 136)**	**-**	**(43 136)**	**(499)**	**(43 635)**
Other comprehensive income		**-**	**-**	**-**	**6 633**	**6 633**	**9**	**6 642**
Comprehensive (loss) income		**-**	**-**	**(43 136)**	**6 633**	**(36 503)**	**(490)**	**(36 993)**
As at September 30, 2024	*19*	**32 630 141**	**288 199**	**(96 366)**	**18 125**	**209 958**	**472**	**210 430**

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 nine months ended September 30, 2024	For the nine months ended September 30, 2023
Operating activities			
(Loss) income before income taxes		**(44 331)**	6 715
Interest received		**627**	3 314
Interest paid	*16*	**(7 507)**	(6 323)
Income tax paid		**-**	23
Distributions in respect of exchangeable securities paid in cash	*11*	**(194)**	(268)
Adjustments for non-cash items and other reconciling items	*23*	**48 957**	10 396
		(2 448)	**13 857**
Working capital adjustments	*23*	**2 874**	(4 520)
Net cash flows related to operating activities		**426**	**9 337**
Investing activities			
Additions to investment properties and capitalized letting fees	*5*	**(491)**	(340)
Additional loan advances to joint ventures	*6*	**(1 177)**	(728)
Loan repayments received from joint ventures	*6*	**621**	1 161
Net change in restricted cash		**1 772**	15
Net cash flows related to investing activities		**725**	**108**
Financing activities			
Distributions to unitholders	*17*	**-**	(10 131)
Repurchase of Trust units	*18*	**43**	(684)
Repayment of mortgage loans	*23*	**(3 585)**	(18 573)
Repayment of lease liabilities	*23*	**(3 014)**	(4 809)
Issuance of interest bearing loan		**52**	20
Net cash flows related to financing activities		**(6 504)**	**(34 177)**
Decrease in cash		**(5 353)**	**(24 731)**
Effects of foreign exchange adjustments on cash		**27**	(814)
Cash at the beginning of the period		**12 489**	**45 176**
Cash at the end of the period		**7 163**	**19 631**

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 nine months ended September 30, 2024, were authorized for issuance by the Board of Trustees on November 7, 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 S.A. is President of the REIT, the Chief Executive Officer (“CEO”) of Inovalis S.A. 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 of 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. The Directors consider 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 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.

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.

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 are 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 the financial statements on the basis that it will continue to operate as a going concern. This going concern basis assumes that the REIT will continue in operation for the foreseeable future and will be able to realize its assets and settle its obligations in the normal course of business. Management has concluded that there are no material uncertainties that may cast significant doubt over the REIT's ability to continue as a going concern over the twelve-months subsequent to the balance-sheet date. In arriving at this conclusion, management has made several significant judgements.

Management's going concern assessment includes forecasting of cashflow requirements under various stress-tested scenarios in order to assess whether there exist any material risks as to the REIT's ability to operate as a going concern. In forecasting future cash flows, management has made the following significant judgements:

A. **Dispositions of Assets:** Management has forecasted that the REIT will be able to successfully complete the sale of assets that are held within the REIT's asset recycling plan within the time frames expected based on information available as at September 30, 2024, and at prices that are consistent with the latest fair values determined for these assets. The Sabliere property is in the advanced stages of the REIT's asset recycling program and has been classified as an asset held-for-sale, given an offer has been accepted by the REIT for anticipated disposal of the property in Q1 of 2025. Also see Note 9. Other properties within the REIT's asset recycling program include Arcueil and Baldi. Expected proceeds of the sale of any of these properties would be sufficient to fund cash-flow requirements for the REIT in the longer term. Management has also considered that the REIT holds other marketable and in-demand assets that it could dispose of (Delgado and Metropolitan) in order to unlock liquidity as required.

B. **Availability of Financing:** Management has forecasted that the REIT will be able to successfully negotiate extensions and other modifications to its third-party loans as required to accommodate cash flow needs over the twelve-months subsequent to the balance sheet date. This includes lenders amending certain principal repayment requirements, for which negotiations are in progress as at September 30, 2024. Also, management has forecasted that in the case of any breaches in loan covenants, the lenders of the REIT will not exercise its repayment rights in the case of the related assets being in advanced stages of negotiations for sale or ongoing redevelopment. Management has also considered the REIT's history of successful negotiations with key lenders and its ongoing and frequent communications with lenders in making these judgements.

C. **Working Capital and Capex Management:** 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 access certain restricted cash balances during advance stages of the sale of related assets, 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.

These key judgements around the REIT's ability to successfully complete the planned dispositions and refinancings as well as manage working capital and capex are integral to management's conclusion that there exist no material uncertainties as to the REIT's ability to operate as a going concern as at September 30, 2024.

Note 5 – Investment properties

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

	For the nine months ended September 30, 2024	For the year ended December 31, 2023
Balance, beginning of the period	**412 967**	**437 422**
Capex	**614**	633
Change in capitalized letting fees	**(123)**	(72)
Rent free periods	**(185)**	(443)
Net change in fair value of investment properties	**(39 860)**	(28 117)
Foreign currency translation adjustment	**11 581**	3 544
Asset classified as held for sale	**(26 355)**	-
Balance, end of the period	**358 639**	**412 967**

All of the REIT's investment properties with a fair value of $358,639 (December 31, 2023 - $412,967) are pledged as security for an amount of $218,815 (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 properties. 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 September 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	**188 796**	**42 900**	**26 500**	**258 196**
Option costs	**(2 556)**	**-**	**-**	**(2 556)**
Adjusted market value in Euros	**186 240**	**42 900**	**26 500**	**255 640**
Exchange adjustment	**94 237**	**21 707**	**13 409**	**129 354**
Adjusted market value in CAD$	**280 477**	**64 607**	**39 909**	**384 994**
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	**6,29%**	**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	**(11 161)**	**(2 317)**	**(1 425)**	**(14 903)**
a decrease of 25 bps on the cap rate and/or discount rate	**12 171**	**2 496**	**1 535**	**16 202**

(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 ($ 26,355) 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 assets

The REIT leases various investment properties with a carrying amount of $178,098 (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**	**557**	**473**	**-**	**1 177**
Share of net (loss) income from investments [1]	**(1 687)**	**106**	**632**	**(1 314)**	**(323)**	**(2 586)**
Impairment of loans to joint ventures[2]	-	-	**(1 244)**	-	-	**(1 244)**
Loan repayments received from joint ventures	-	-	-	-	**(621)**	**(621)**
Exchange differences	**400**	**353**	**55**	**213**	**212**	**1 233**
Balance - September 30, 2024	**13 227**	**12 312**	**-**	**7 056**	**6 996**	**39 591**

(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 nine-months ended September 30, 2024 amounts to $2,110 (2023 YOY- $2,043) 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 September 30, 2024*

The balance of investments in joint ventures as at September 30, 2024 includes loans to joint ventures for an amount of $25,124 which is detailed as follows:

Loans to joint ventures	Duisburg	Stuttgart	Delizy[1]	Isenburg	Kosching	Total
Gross Balance - September 30, 2024	11 226	9 855	11 938	661	(714)	32 966
Less: Cumulative ECL	-	-	(7 842)	-	-	(7 842)
Net Balance - September 30, 2024	**11 226**	**9 855**	**4 096**	**661**	**(714)**	**25 124**
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 September 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 for 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.

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

Additional loans from joint venture

During the period ended September 30, 2024 an additional loan from joint ventures of €420 ($621) occurred for Kosching.

Note 7 – Trade and other receivables

	Note	As at September 30, 2024	As at December 31, 2023
Trade receivables		**5 760**	3 449
Provision for impairment of trade receivables		**(915)**	(858)
Trade receivables		**4 845**	**2 591**
Other receivables		**637**	662
Other receivables - Inovalis SA	*21*	**469**	366
Interest receivable - Joint ventures - current	*21*	**5 452**	3 515
Other current financial assets		**6 558**	**4 543**
Total trade receivables and other financial assets		**11 403**	**7 134**

Note 8 – Cash, cash equivalents and restricted cash

Cash and cash equivalents

	As at September 30, 2024	As at December 31, 2023
Cash on hand	7 163	10 489
Short term deposit	-	2 000
Cash and cash equivalents	**7 163**	**12 489**

Restricted cash

		As at September 30, 2024	As at December 31, 2023
Capex reserve	Trio property	1 251	3 273
Bank loan reserve	Sablière property	-	1 628
Bank loan reserve	Delgado property	376	-
Others		76	72
Non current		**1 703**	**4 973**
Capex reserve	Trio property	374	53
Bank loan reserve	Sablière property	1 295	-
Others		-	143
Current		**1 669**	**196**
Restricted cash		**3 372**	**5 169**

Note 9 – Asset held for sale

In September 2024, the REIT received an offer from a third-party purchaser (the "Purchaser") relating to the Sabliere property, which it then accepted on September 30, 2024. This offer will be pursued by the REIT over the proposed sale of the Sabliere property to Inovalis SA, a related party of the REIT, which was being evaluated as at June 30, 2024.

The Sabliere property has a gross leasable area of 3,813 sqm (41,043 sq. ft.) and is located in the 14th District of Paris. The purchase price offer from the Purchaser is in line with the fair value and is subject to the parties entering into a definitive purchase agreement. The sale will be subject to transaction costs (broker fees and disposition fees) consistent with other third-party sale transactions.

The signed offer includes a proposed timeline, which requires signing of promise to sell prior to November 15, 2024, and close of the sale prior to February 28, 2025. This timeline will allow time for due diligence and completion of other conditions that are customary prior to close of the sale of a property.

As the REIT remains committed to close of sale of the Sabliere property within 12-months, and given all the criteria related to classification as an asset held for sale continue to be met, the Sabliere property remains presented on a separate line in the consolidated balance sheet as "Asset held for sale" as at September 30, 2024.

Note 10 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

			As at September 30, 2024		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI [1]	Euribor 3M + 1.59%	23/06/2026	13 084	-	13 084
Mortgage loan - Cancorp Trio	Euribor 3M + 2.5%	15/03/2025	43 064	-	43 064
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	4 448	-	4 448
Mortgage loan - Gaia Nanterre SCI	1.91%	31/03/2027	32 494	32 494	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 724	21 991	733
Mortgage loans			**115 814**	**54 485**	**61 329**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	48 075	46 609	1 466
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	54 925	51 097	3 828
Lease liabilities			**103 000**	**97 706**	**5 294**
Total mortgage loans and lease liabilities			**218 814**	**152 191**	**66 623**

(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**

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

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

	As at September 30, 2024		As at December 31, 2023	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**61 329**	**62 912**	50 524	52 184
After 1 year, but not more than 5 years	**54 485**	**56 397**	65 710	69 187
More than 5 years	**-**	**-**	-	-
	115 814	**119 309**	**116 234**	**121 371**
Less : future interest costs	**-**	**(3 495)**	-	(5 137)
Total mortgage loans	**115 814**	**115 814**	**116 234**	**116 234**

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

	As at September 30, 2024		As at December 31, 2023	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**5 294**	**9 937**	6 819	12 440
After 1 year, but not more than 5 years	**56 873**	**70 852**	54 591	68 732
More than 5 years	**40 833**	**44 137**	41 588	46 731
	103 000	**124 926**	**102 998**	**127 903**
Less : future interest costs	**-**	**(21 926)**	-	(24 905)
Total lease liabilities	**103 000**	**103 000**	**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 nine-month period ending on September 30, 2024, the REIT recognized a modification loss of $166 in other finance expenses on extension, in addition to $636 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 loss on extinguishment equal to the transaction costs incurred on the extension.

Metropolitan – Lease payment modification

On September 30, 2024, the REIT signed an agreement with its lessor to modify the timing of a payment on its lease for the Metropolitan property. The REIT will pay a lease payment that was due in September 2024 over a 3-month period from September 2024 to November 2024. There was no gain or loss recognized or change in classification as a result of the change in timing of the lease payment.

Baldi SCI – Loan covenant breach

As at September 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 September 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 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	-	**(554)**
Balance - September 30, 2024	**938 036**	**1 041**

Distribution in respect of Exchangeable Securities:

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

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

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Amount payable at the beginning of the period	**108**	236	**236**	236
Declared and recognized in earnings during the period	**-**	83	**-**	277
Distribution on exchangeable securities paid in cash	**(66)**	(60)	**(194)**	(254)
Amount payable at the end of the period	**42**	**259**	**42**	**259**

Note 12 – Trade and other payables

	Note	As at September 30, 2024	As at December 31, 2023
Trade payables		**7 738**	**4 452**
Trade payables		**7 738**	**4 452**
Other payables		**1 500**	215
Distributions payable - Inovalis SA	*21*	**42**	259
VAT payable		**2 968**	2 430
Other payables		**4 510**	**2 904**
Total trade and other payables		**12 248**	**7 356**

Note 13 – Provisions

As at September 30, 2024, the provisions include €358 ($539) related to the Veronese property (sold in 2022), dating back to 2017, and €165 ($249) 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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Regular rents	**4 645**	5 077	**13 513**	19 978
Rent free periods (lease incentives)	**43**	(105)	**(132)**	(110)
Rental income	**4 688**	4 972	**13 381**	19 868
Property operating cost recoveries	**772**	1 231	**3 600**	4 517
Total revenue	**5 460**	**6 203**	**16 981**	**24 385**

The property operating cost recoveries were as follows:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Taxes	**382**	742	**1 166**	1 412
Insurance	**23**	24	**139**	134
Property management fees	**131**	263	**412**	538
Utilities and other cost recoveries	**236**	202	**1 883**	2 433
Property operating cost recoveries	**772**	**1 231**	**3 600**	**4 517**

Note 15 – Expenses

Property operating costs consist of the following:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Property tax expense	**(82)**	**(72)**	**(3 760)**	(3 377)
Insurance expenses	**(66)**	**(58)**	**(283)**	(226)
Property management fees	**(207)**	**(184)**	**(573)**	(795)
Utilities and other costs	**(1 386)**	**(978)**	**(4 282)**	(3 390)
Total property operating costs	**(1 741)**	**(1 292)**	**(8 898)**	**(7 788)**

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 nine months ended September 30, 2024, the amount recognized is $881 (2023 - $815).

General and administrative expenses consist of the following:

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Asset management fees	**(466)**	(548)	**(1,467)**	(1,649)
Less : amount invoiced to joint ventures	**297**	290	**881**	869
	(169)	(258)	**(586)**	(780)
Professional fees for accounting, tax and audit	**(389)**	(322)	**(1,595)**	(1,831)
Audit expenses	**-**	-		
Legal expenses	**(297)**	(158)	**(634)**	(363)
Other legal expenses related to strategic review and SIF conversion	**-**	-	**-**	
Trustee fees	**(88)**	(74)	**(228)**	(252)
Travel expenses	**(50)**	(95)	**(269)**	(330)
Office rent	**-**	-	**-**	-
Governance expenses	**(89)**	(138)	**(247)**	(313)
Bank and depositary fees	**(78)**	(47)	**(219)**	(267)
Listing, transfer agent and publication fees	**(112)**	(11)	**(135)**	(65)
Other general and administrative expenses	**(165)**	(107)	**(689)**	(433)
Total general and admnsitrative expenses	**(1,437)**	**(1,210)**	**(4,602)**	**(4,634)**

Note 16 – Finance costs and finance income

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Interest costs related to mortgage loans	**(945)**	(744)	**(3 365)**	(2 453)
Interest costs related to lease liabilities	**(1 185)**	(1 411)	**(4 070)**	(3 805)
Interest SWAP and CAP	**7**	293	**520**	293
Other finance costs	**(127)**	-	**(201)**	(6)
Amortization of transaction costs on mortgage loans	**(215)**	(62)	**(342)**	(182)
Finance costs	**(2 465)**	**(1 924)**	**(7 507)**	**(6 153)**
Finance income from joint venture loans	**718**	676	**2 110**	**2 043**
Other finance income	**-**	489	**454**	**2 108**
Finance income	**718**	**1 165**	**2 564**	**4 151**

Other finance income includes $443 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.

Note 17 – Distributions

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Amount payable at the beginning of the period	-	1 139	-	1 139
Declared and recognised during the period	-	3 363	-	10 124
Paid in cash	-	(3 370)	-	(10 131)
Amount payable at the end of the period	**-**	**1 132**	**-**	**1 132**

On November 13, 2023, the REIT announced the suspension of monthly distributions to unitholders until further notice. The amount of distributions payable as at September 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 September 30, 2024, 938,036 Special Voting Units were issued and outstanding (December 31, 2023 – 938,036).

Note 19 – Accumulated other comprehensive income

	As at September 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	**15 305**	8 672
Accumulated other comprehensive income	**18 125**	**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 September 30, 2024	As at December 31, 2023
Outstanding at beginning of period	**58 595**	39 398
Elected DU	**53 732**	29 913
Exercised	**(35 430)**	(22 112)
ADUs earned	**92 125**	6 140
Forfeited	**2 623**	5 256
Outstanding at end of period	**171 645**	**58 595**

As at September 30, 2024, 171,645 DSUs are outstanding and 28,355 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 management fees to be settled quarterly through the issuance of either exchangeable securities or in cash. During the nine months ended September 30, 2024, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Expenses						
Asset management fees	Administration expenses	*A*	**(169)**	(515)	**(586)**	(780)
Facilities management fees	Service charge expenses		**(75)**	**(98)**	**(205)**	(137)
Property management fees	Service charge expenses	*B*	**(221)**	(536)	**(548)**	(823)
Letting fees invoiced	Service charge expenses		**(5)**	-	**(39)**	-
less portion accounted for over the lease term	Service charge expenses		**2**	-	**(26)**	-
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		-	(181)	-	(277)
Reimbursment of travel expenses	Administration expenses		-	(212)	**(219)**	(330)
Trustee fees	Administration expenses		**(88)**	(149)	**(228)**	(252)
			(556)	**(1 691)**	**(1 850)**	**(2 599)**

(A) *Asset management fees of $1,467 and $1,649 for the nine months ended September 30, 2024, and September 30, 2023 respectively, correspond to the asset management fees earned for the entire portfolio, including $881 and $869 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 September 30, 2024**	**As at December 31, 2023**
Assets			
Trade and other receivables	*7*	**469**	366
		469	**366**
Liabilities			
Interest-bearing loan		**266**	214
Distributions payable	*11*	**42**	237
Exchangeable securities	*11*	**1 041**	1 595
		1 349	**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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Management fees invoiced to joint ventures	Administration expenses	**(297)**	(290)	**(881)**	(869)
Facilities management fees	Service charge expenses	**-**	-	**(28)**	-
Property management fees	Service charge expenses	**(75)**	58	**(188)**	(201)
Letting fees invoiced	Service charge expenses	**(95)**	-	**(95)**	-
less portion accounted for over the lease	Service charge expenses	**(91)**	-	**(91)**	-
Finance income	Finance income	**718**	676	**2 110**	2 043
		160	**444**	**828**	**973**

	Financial statement line item	Due from joint ventures As at September 30, 2024	Due from joint ventures As at December 31, 2023
Assets			
Loan receivable	Investments accounted for using the equity method	**25 124**	24 897
Interest receivables	Other financial assets - current	**5 452**	3 515
		30 576	**28 412**
Liabilities			
Balance of sale payable	Trade and other payables	**147**	**161**
		147	**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 September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Wages, fees and other benefits	(88)	(129)	(228)	(232)
	(88)	**(129)**	**(228)**	**(232)**

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 September 30, 2024		
	Level 2	**Level 3**	**Total**
Investment properties	-	358 639	**358 639**
Investment property - classified as held for sale	-	26 355	**26 355**
Derivative financial instruments - assets	32	-	**32**
Derivative financial instruments - liabilities	(703)	-	**(703)**
Exchangeable securities	(1 041)	-	**(1 041)**

	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 September 30, 2024.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using September 30, 2024, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2024 of the mortgage loans has been estimated at $113,265 (December 31, 2023 – $113,897) compared with the carrying value before deferred financing costs of $115,814 (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 monthly 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 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 in arriving at this conclusion.

Specifically, as at September 30, 2024, current liabilities for the REIT exceeded current assets by $61,160 (December 31, 2023 - $46,836). This shortfall is as a result of the loans for Trio, Baldi & Sabliere 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 Q1 of 2025. The REIT is in active negotiations with the lender (HCOB) to sign a long-term loan extension beyond 2025, after successfully negotiating a one-year extension with the lender in Q1 of 2024. 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.

B. **Baldi Loan –** The Baldi loan has been in breach of a covenant since Q2 of 2022, and as such has been classified as current due to the lender's (SOCFIM) right to repayment. The REIT has kept the lender regularly informed about the ongoing work to prepare the Baldi property for disposition and redevelopment, at which time repayment will occur. Since the 2021 deleveraging of the Baldi mortgage loan $12 million, the lender exposure is down to a 17% loan-to-value (supported by Q2 2024 external valuation report of $17,400). Given that all of 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.

C. **Sabliere Loan –** As an offer to purchase Sabliere has been accepted, the Sabliere loan has been classified as a current liability associated with an asset held for sale. The REIT intends to repay the loan immediately upon disposition of the Sabliere property in early 2025 (see Note 9).

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.

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

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 Condensed Interim Consolidated Financial Statements.

As at September 30, 2024	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	25 124	25 124
Financial liabilities			
Mortgage loans	2	115 814	113 265
Tenant deposits	2	2 557	2 557

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

Note 23 – Cash flow information

	Note	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Adjustments for non-cash items and other reconciling items:			
Decrease in rent-free period	*5*	**185**	251
Net change in fair value of investment properties	*5*	**39 860**	106
Net change in fair value of financial derivatives		**691**	2 437
Distributions recognized on exchangeable securities	*11*	**-**	277
Net change in fair value of exchangeable securities		**(554)**	(716)
Finance income	*16*	**(2 564)**	(4 151)
Finance costs	*16*	**7 507**	6 323
Share of net loss from investments in joint venture	*6*	**2 586**	3 677
Impairment of loans to joint ventures	*6*	**1 244**	-
Foreign exchange loss		**2**	2 192
		48 957	**10 396**
Working capital adjustments			
(Decrease) increase in trade and other receivables		**(21)**	2 515
Increase (decrease) in tenant deposits		**46**	(70)
Increase (decrease) in trade and other payables		**2 848**	(6 965)
		2 873	**(4 520)**

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 September 30, 2024
Exchangeable securities	1 595	-	-	(554)	**1 041**
Mortgage loans	116 234	(3 585)	3 165	-	**115 814**
Lease liabilities	102 998	(3 014)	3 016	-	**103 000**

Note 24 – Subsequent events

- **Stuttgart mortgage loan extension**

On October 31, 2024, the REIT successfully extended the $37,040 (€24,600) mortgage loan of the Stuttgart property, held 50% in joint venture, with the lender DZHYP.

The new loan, maturing in February 2026, will bear interest at 1.62% margin on top of the EURIBOR 3-month floating rate, will require quarterly cash reserve payments for an annual amount of $1,084 ($720) and prevent distribution to shareholders until full repayment of the loan. This extension allows Management to plan for the exit strategy.

- **Neu Isenburg mortgage loan extension**

On October 31, 2024, the REIT successfully extended the $32,228 (€21,400) mortgage loan of the Neu Isenburg property, held 50% in joint venture, with the lender DZHYP.

The new loan, maturing in February 2026, will bear interest at 1.62% margin on top of the EURIBOR 3-month floating rate and will prevent distribution to shareholders until full repayment of the loan. This extension allows Management to work on the reletting of the 20% vacant areas and plan for the exit strategy.

- **Kosching mortgage loan extension**

On October 31, 2024, the REIT successfully extended the $19,728 (€13,100) mortgage loan of the Stuttgart property, held 50% in joint venture, with the lender DZHYP.

The new loan, maturing in February 2026, will bear interest at 1.62% margin on top of the EURIBOR 3-month floating rate, will require quarterly cash reserve payments for an annual amount of $783 ($520) and prevent distribution to shareholders until full repayment of the loan. This extension allows Management to plan for the exit.

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Corporate information

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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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