# INOVALIS REAL ESTATE INVESTMENT TRUST CONSOLIDATED FINANCIAL STATEMENTS

## For the years ended December 31, 2024, and 2023

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Inovalis REIT and the other financial information contained in the Annual Report have been prepared by, and are the responsibility of, the management, which is responsible for the integrity and fairness of the financial information presented. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which comprises trustees, meets with management as well as the external auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The Audit Committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

The 2024 and 2023 consolidated financial statements were audited by *Ernst & Young Audit*, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and unrestricted access to the Audit Committee, with or without management present.

*Stephane Amine*

Chief Executive Officer

Toronto, Canada, March 31, 2025

# Inovalis

## Independent Auditor's Report

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# Inovalis

## Independent Auditor's Report

To the shareholders of Inovalis Real Estate Investment Trust,

### Opinion

We have audited the consolidated financial statements of Inovalis Real Estate Investment Trust and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statement of earnings, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to paragraph "Liquidity risk" in Note 25 of the consolidated financial statements, which indicate that the Group's current liabilities exceeded its total assets by $59 million as of 31 December 2024 and describes the way the group manages its liquidity risk. As stated in paragraph "Going concern analysis" in Note 4, these conditions indicate that there is a material uncertainty associated with this going concern assumption, as it requires the completion of the sale of the Sabliere property. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties** | |
| The Group's investment property portfolio is comprised of properties held to earn rental income. As at December 31, 2024, fair value of those properties amounts to $328 million and the Group's share of the fair value of those properties held through investments in joint ventures amounts to $118 million. Note 3 of the consolidated financial statements describes the accounting policy for investment properties.<br><br>The Group appointed independent real estate valuation expert to determine the fair value of the investment property portfolio. The valuation methodology for these investment properties is based on is the direct capitalization method as set out in Note 6 of the consolidated financial statements, which also discloses the sensitivity of the fair value of investment properties to a change in capitalization and discount rates.<br><br>The valuation of the Group's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including, capitalization rates, cashflow projections and stabilized net operating income adjustments, such as market rental rates and stabilized vacancy. | With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:<br><br>► We assessed the competence, objectivity and capabilities of real estate valuation experts appointed by management, by analyzing the qualifications and expertise of the individuals involved in the preparation of the valuations.<br><br>► We assessed the suitability of the valuation methodology used.<br><br>► For a sample of investment properties, we assessed the significant assumptions used by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations.<br><br>► We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions used and whether these were appropriately included in the overall assessment of fair value.<br><br>► We assessed the REIT's accounting policy applied for investment properties and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS. |

Given the size of the investment property portfolio relative to total consolidated assets of the Group, a relatively minor adjustment in assumptions in the valuation of each individual property can lead to a material difference in the consolidated financial statements. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.

## Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis,
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean Philippe Bertin.

Ernst & Young Audit[1]

1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1, France

31 March 2025

[1] CPA auditor, public accountancy permit no. A16964

## Inovalis Real Estate Investment Trust
## Consolidated Balance Sheets
## As at December 31,
## (All dollar amounts in thousands of Canadian dollars)

| Assets | Note | 2024 | 2023 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 6 | **327 789** | 412 967 |
| Investments in joint ventures | 7 | **37 047** | 41 632 |
| Other financial assets | | **407** | 333 |
| Restricted cash | 11 | **1 611** | 4 973 |
| **Total non-current assets** | | **366 854** | **459 905** |
| **Current assets** | | | |
| Trade receivables and other financial assets | 9 | **9 528** | 7 134 |
| Derivative financial instruments | 8 | **-** | 527 |
| Other current assets | 10 | **1 873** | 3 809 |
| Restricted cash | 11 | **1 651** | 196 |
| Cash | 11 | **6 249** | 12 489 |
| **Total current assets** | | **19 301** | **24 155** |
| **Asset held for sale** | 12 | **26 061** | - |
| **Total assets** | | **412 216** | **484 060** |

| Liabilities and equity | Note | 2024 | 2023 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loan | | **189** | 186 |
| Mortgage loans | 13 | **53 961** | 65 710 |
| Lease liabilities | 13 | **95 752** | 96 179 |
| Tenant deposits | | **2 228** | 2 224 |
| Derivative financial instruments | 8 | **-** | 110 |
| Deferred tax liabilities | 22 | **-** | 1 295 |
| **Total non-current liabilities** | | **152 130** | **165 704** |
| **Current liabilities** | | | |
| Interest-bearing loan | | **83** | 28 |
| Mortgage loans | 13 | **60 488** | 50 524 |
| Lease liabilities | 13 | **5 035** | 6 819 |
| Tenant deposits | | **255** | 168 |
| Derivative financial instruments | 8 | **-** | 377 |
| Exchangeable securities | 14 | **385** | 1 595 |
| Trade and other payables | 15 | **8 668** | 7 356 |
| Income tax payable | 22 | **2 238** | 2 175 |
| Deferred income | | **586** | 1 184 |
| Provisions | 16 | **243** | 765 |
| **Total current liabilities** | | **77 981** | **70 991** |
| **Total liabilities** | | **230 111** | **236 695** |
| **Equity** | | | |
| Trust units | 17 | **296 206** | 288 156 |
| Deficit | | **(129 834)** | (53 230) |
| Accumulated other comprehensive income | 24 | **15 666** | 11 492 |
| **Total unitholders' equity** | | **182 038** | **246 418** |
| Non-controlling interest | 18 | **67** | 947 |
| **Total equity** | | **182 105** | **247 365** |
| **Total liabilities and equity** | | **412 216** | **484 060** |

*See accompanying notes to 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**

**Consolidated Statements of Earnings**

**For the years ended December 31,**

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

| | *Note* | **2024** | **2023** |
|---|---|---|---|
| Rental revenue | *19* | **18 639** | 24 656 |
| Property operating cost recoveries | *19* | **5 103** | 6 211 |
| Property operating costs | *20* | **(10 153)** | (10 054) |
| Other revenues | *19* | **367** | 2 699 |
| Other property operating expenses | | **(181)** | (296) |
| **Net rental income** | | **13 775** | **23 216** |
| General and administrative expenses | *20* | **(5 990)** | (6 405) |
| Foreign exchange loss | | **-** | 21 |
| Share of net loss from joint ventures | *7* | **(5 910)** | (13 984) |
| **Operating earnings income** | | **1 875** | **2 848** |
| Net change in fair value of Investment properties | *6* | **(66 774)** | (28 117) |
| Net change in fair value of Financial derivatives | *8* | **(20)** | (3 604) |
| Net change in fair value of Exchangeable securities | *14* | **735** | 1 941 |
| Finance income | *21* | **3 282** | 4 049 |
| Finance costs | *21* | **(10 336)** | (7 012) |
| Distributions on Exchangeable securities | *14* | **-** | (387) |
| **Loss before income taxes** | | **(71 238)** | **(30 282)** |
| Current income tax expense | *22* | **(106)** | (229) |
| Deferred income tax recovery | *22* | **1 313** | 557 |
| Total income tax recovery | | **1 207** | **328** |
| **Net loss** | | **(70 031)** | **(29 954)** |
| **Net loss attributable to:** | | | |
| Non-controlling interest | *18* | **(898)** | (263) |
| Unitholders of the Trust | | **(69 133)** | (29 691) |
| | | **(70 031)** | **(29 954)** |

*See accompanying notes to consolidated financial statements*

## Inovalis Real Estate Investment Trust
## Consolidated Statements of Comprehensive Income
## For the years ended December 31,
## (All dollar amounts in thousands of Canadian dollars)

| | *Note* | 2024 | 2023 |
|---|---|---|---|
| **Net loss for the period** | | **(70 031)** | **(29 954)** |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to income : | | | |
| Change in cumulative translation adjustment account | 24 | **4 176** | 2 120 |
| **Other comprehensive income** | | **4 176** | **2 120** |
| **Total comprehensive loss** | | **(65 855)** | **(27 834)** |
| **Total comprehensive loss attributable to:** | | | |
| Non-controlling interest | | **(896)** | (269) |
| Unitholders of the Trust | | **(64 959)** | (27 565) |
| **Total comprehensive loss** | | **(65 855)** | **(27 834)** |

*See accompanying notes to consolidated financial statements*

# Inovalis Real Estate Investment Trust
# Consolidated Statements of Changes in Equity
# For the years ended December 31,
# (All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

| | *Note* | Number of Units issued and outstanding | Trust Units | Retained earnings (deficit) | Accumulated other comprehensive income | Total attributable to the Unitholders' of the Trust | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| As at December 31, 2022 | | 32 778 699 | 289 940 | (12 327) | 9 366 | 286 979 | 1 198 | 288 177 |
| Repurchase of Trust Units | *17* | (206 100) | (1 821) | 1 151 | - | (670) | - | (670) |
| Distributions earned by or declared to Unitholders | *23* | - | - | (12 363) | - | (12 363) | - | (12 363) |
| Issuance of units for payment of Trustee Fees | *17* | 22 112 | 37 | - | - | 37 | - | 37 |
| Foreign exchange impact on Non-controlling interest | | - | - | - | - | - | 18 | 18 |
| | | (183 988) | (1 784) | (11 212) | - | (12 996) | 18 | (12 978) |
| Net loss for the year | | - | - | (29 691) | - | (29 691) | (263) | (29 954) |
| Other comprehensive income (loss) | | - | - | - | 2 126 | 2 126 | (6) | 2 120 |
| Comprehensive income (loss) | | - | - | (29 691) | 2 126 | (27 565) | (269) | (27 834) |
| **As at December 31, 2023** | | **32 594 711** | **288 156** | **(53 230)** | **11 492** | **246 418** | **947** | **247 365** |
| Issuance of units from conversion of exchangeable securities | *14* | **545 144** | **503** | **-** | **-** | **503** | **-** | **503** |
| Issuance of units from payment of trustee fees | *17* | **66 325** | **76** | **-** | **-** | **76** | **-** | **76** |
| Distributions declared to Unitholders | *23* | **7 321 963** | **7 471** | **(7 471)** | **-** | **-** | **-** | **-** |
| Consolidation of Units | *23* | **(7 321 963)** | **-** | **-** | **-** | **-** | **-** | **-** |
| Foreign exchange impact on Non-controlling interest | | **-** | **-** | **-** | **-** | **-** | **16** | **16** |
| | | **611 469** | **8 050** | **(7 471)** | **-** | **579** | **16** | **595** |
| Net loss for the year | | **-** | **-** | **(69 133)** | **-** | **(69 133)** | **(898)** | **(70 031)** |
| Other comprehensive income | | **-** | **-** | **-** | **4 174** | **4 174** | **2** | **4 176** |
| Comprehensive (loss) income | | **-** | **-** | **(69 133)** | **4 174** | **(64 959)** | **(896)** | **(65 855)** |
| **As at December 31, 2024** | | **33 206 180** | **296 206** | **(129 834)** | **15 666** | **182 038** | **67** | **182 105** |

*See accompanying notes to consolidated financial statements*

## Inovalis Real Estate Investment Trust
## Consolidated Statement of Cash Flows
## For years ended December 31,
## (All dollar amounts in thousands of Canadian dollars)

| | *Note* | **2024** | 2023 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before income taxes | | **(71 238)** | (30 282) |
| Interest received | | **1 232** | 2 803 |
| Interest paid | *21* | **(7 057)** | (7 012) |
| Income tax paid | | **(106)** | (48) |
| Distributions in respect of exchangeable securities paid in cash | *14* | **(237)** | (386) |
| Adjustments for non-cash items and other reconciling items | *31* | **76 062** | 47 537 |
| | | **(1 344)** | **12 611** |
| Working capital adjustments | *31* | **2 257** | (8 640) |
| **Net cash flows related to operating activities** | | **913** | **3 971** |
| **Investing activities** | | | |
| Additions to investment properties and capitalized letting fees | *6* | **(729)** | (561) |
| Additional loan advances to joint ventures | *7* | **(1 187)** | (730) |
| Loan repayments received from joint ventures | *7* | **626** | 1 241 |
| Net change in restricted cash | *11* | **1 991** | 2 196 |
| **Net cash flows related to investing activities** | | **701** | **2 146** |
| **Financing activities** | | | |
| Distributions to unitholders | *23* | **-** | (13 496) |
| Repayment of mortgage loans | *13* | **(3 897)** | (19 110) |
| Repayment of lease liabilities | *13* | **(4 079)** | (6 424) |
| Issuance of interest bearing loan | *13* | **58** | (53) |
| **Net cash flows related to financing activities** | | **(7 918)** | **(39 083)** |
| **Decrease in cash** | | **(6 305)** | **(32 966)** |
| Effects of foreign exchange adjustments on cash | | **65** | 279 |
| **Cash at the beginning of the year** | *11* | **12 489** | **45 176** |
| **Cash at the end of the year** | *11* | **6 249** | **12 489** |

## Note 1 – Organization

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

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

The REIT's consolidated financial statements for the year ended December 31, 2024, were authorized for issuance by the Board of Trustees on March 25, 2025.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France, Germany and Spain, to manage certain functions. Refer to Note 3 – Significant accounting policies, and to Note 27 – Transactions with related parties, 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 the President and CEO 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 S.A. is Chief Investment Officer ("CIO") and Chief Financial Officer ("CFO") of the REIT.

## Note 2 – Basis of presentation and statement of compliance

***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board (IASB).

The REIT has prepared the financial statements on the basis that it will continue to operate as a going concern. However, management has determined that there is a material uncertainty associated with this going concern assumption, as it requires the completion of the sale of the Sabliere property, scheduled on April 30, 2025. Also, in concluding 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, several other significant judgements have been made. See Note 4, section on going concern analysis for further details.

This is the first set of the REIT's annual financial statements in which IFRS amendments described in Note 3 have been applied.

***Basis of presentation***

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets which are measured at fair value:

- Investment properties (including right-of-use assets) (Note 6);
- Exchangeable securities (Note 14);
- Derivative financial instruments (Note 8).

## Note 3 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**New accounting standards adopted**

The REIT applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024:

**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 audited consolidated financial statements of the REIT for the year-ended December 31, 2024, 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 have been made as required by the amendments in the consolidated financial statements for the year ended December 31, 2024.

The amendments have resulted in additional disclosures in Note 13 but have not had an impact on the classification of the Group's liabilities.

**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 audited consolidated financial statements of the REIT for the year-ended December 31, 2024, as no supplier finance arrangements have been signed by the REIT.

## Note 3 – Significant accounting policies (Cont'd)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all its subsidiaries as of December 31, 2024. The Trust controls an entity if it has power over the entity, if it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting date as the Trust. Subsidiaries are consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation level.

Details of the Trust's subsidiaries as of December 31, 2024 & 2023 are as follows:

| Name of subsidiary | Principal Activity | Name of the assets | Country of Incorporation and Residence | Proportion of Ownership Interest and Voting Power Held - 2024 | Proportion of Ownership Interest and Voting Power Held - 2023 |
|---|---|---|---|---|---|
| Cancorp Europe SA ("CCEU") | Holding Company for European assets | | Luxembourg | **96.59%** | **89.18%** |
| Walpur Four SA ("Walpur") | Investment property holding | Bad Homburg Property | Luxembourg | **100% held by CCEU** | **100% held by CCEU** |
| INOPCI 1 | Holding Company Investment | | France | **100% held by CCEU** | **100% held by CCEU** |
| SCI Baldi | Investment property holding | Baldi Property | France | **100% held by INOPCI 1** | **100% held by INOPCI 1** |
| SCI Sabliere | Investment property holding | Sabliere Property | France | **100% held by INOPCI 1** | **100% held by INOPCI 1** |
| SCI Metropolitain | Investment property holding | Metropolitain Property | France | **99% held by INOPCI 1** | **99% held by INOPCI 1** |
| Arcueil SI General Partner SARL | General partner for Arcueil SCS | | Luxembourg | **100% held by CCEU** | **100% held by CCEU** |
| Arcueil SCS ("Arcueil") | Investment and holding Company | | Luxembourg | **100% held by CCEU** | **100% held by CCEU** |
| Metropolitan LLC | Investment property holding | | USA | **100%** | **100%** |
| SCI Lenine Arcueil | Investment property holding | Arcueil Property | France | **99.90% held by INOPCI 1** | **99.90% held by INOPCI 1** |
| Cancorp Trio 1 | Investment property holding | Trio Properties | Luxembourg | **94.90% held by CCEU** | **94.90% held by CCEU** |
| Cancorp Trio 2 | Investment property holding | Trio Properties | Luxembourg | **94.90% held by CCEU** | **94.90% held by CCEU** |
| Cancorp Trio 3 | Investment property holding | Trio Properties | Luxembourg | **94.90% held by CCEU** | **94.90% held by CCEU** |
| Cancorp Cologne 2 SARL | Investment and holding Company | | Luxembourg | **100% held by CCEU** | **100% held by CCEU** |
| SCI Gaia Nanterre ("Gaia") | Investment property holding | Gaia Property | France | **99.99% held by INOPCI 1** | **99.99% held by INOPCI 1** |
| Cancorp Vegacinco SLU ("Vegacinco") | Investment property holding | Delgado Property | Spain | **100% held by CCEU** | **100% held by CCEU** |

Also, as further explained in Note 3 under the caption "Exchangeable securities", the 3.41% interest held by Inovalis SA in CCEU and its subsidiaries (10.82% in 2023) is presented as a liability rather than a non-controlling interest (refer to Note 14 for details regarding this interest).

## Note 3 – Significant accounting policies (Cont'd)

**Business combinations and goodwill**

When determining whether a transaction should be accounted for as a business combination or as an asset acquisition, the REIT has elected to use the concentration test specified in IFRS 3, *Business Combinations* ("IFRS 3"). Under the concentration test, if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, the REIT accounts for the transaction as an asset acquisition rather than a business combination.

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the REIT on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured at their fair values at the acquisition date. The REIT measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the identifiable assets acquired and liabilities assumed, generally at fair value, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The REIT elects, on a transaction-by-transaction basis, whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

**Asset acquisitions**

Upon the acquisition of an asset or a group of assets and liabilities that does not constitute a business, the REIT identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The REIT first measures all assets and liabilities that are required to be measured at other than cost at the amount specified in the applicable IFRS Standard. The REIT deducts from the transaction price of the group, the amounts allocated to the assets and liabilities initially measured at an amount other than cost and allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

When the acquisition of an asset or a group of assets and liabilities is achieved in stages, the REIT's previously held interests in the acquired assets and liabilities are remeasured to their acquisition-date fair values on the date that control is obtained. Any gain or loss on the previously held interest is recognized in profit or loss.

## Note 3 – Significant accounting policies (Cont'd)

**Foreign currency translation**

(a) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Functional and presentation currencies

The functional currency of the Trust's subsidiaries and joint ventures is the euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar.

(c) Accounting for transactions and balances in foreign currencies

Foreign currency transactions are translated into the relevant functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions or valuation where items are reassessed. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of earnings under "Foreign exchange gain (loss)".

(d) Foreign operations

The results and financial position of all the foreign entities are translated into the presentation currency upon consolidation as follows:

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

When a foreign operation is partially or entirely disposed of, related exchange differences that were recorded in equity are recognized in the consolidated statement of earnings as part of the gain or loss on the sale.

**Investment properties**

An investment property is defined as property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or use for administrative purposes. Property held under a lease is classified as an investment property when the definition of an investment property is met.

Investment property other than property acquired in a business combination is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and broker acquisition fees to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, capital expenditures are capitalized as part of the investment properties which are then carried at fair value at each reporting date. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. Gains or losses arising from changes in the fair values are recognized in the consolidated statement of earnings in the reporting period in which they arise. For the purpose of these consolidated financial statements, in order to avoid "double counting", the assessed fair value may be reduced by the carrying amount of any accrued income resulting from the straight lining of rental income.

The fair value of investment properties is determined by management with the assistance of independent appraisers who have the appropriate qualifications and relevant experience in the valuation of properties. Fair values of investment properties are determined by using recognized appraisal valuation techniques and the principles of IFRS 13, Fair value measurement ("IFRS 13"). Refer to Note 4 – Critical accounting judgments and estimates, for a more detailed description of the valuation techniques used.

## Note 3 – Significant accounting policies (Cont'd)

**Joint arrangements**

A joint arrangement is an arrangement in which the REIT and other parties undertake an economic activity that is subject to joint control. Joint control applies to situations where decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as a joint operation or a joint venture. A joint operation is an arrangement whereby joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas a joint venture is an arrangement whereby parties to the joint ventures only have rights to the net assets of the arrangement. The REIT's investments in joint arrangements qualify as joint ventures.

A joint venture is initially recognized at cost plus directly related acquisition costs. However, any excess of the REIT's share of the fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the REIT's share of the joint venture's net profit or loss in the reporting period in which the investment is acquired.

Investments in joint ventures are subsequently accounted for using the equity method. The carrying amount includes investment in the joint venture using the equity method together with any long-term loan receivable that, in substance, form part of the REIT's net investment in the joint venture. The carrying amount of investment in joint ventures is increased or decreased to recognize the REIT's share of the net profit or loss and other comprehensive income (loss) of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the REIT. Unrealized gains and losses on transactions between the REIT and its joint ventures are eliminated to the extent of the REIT's interest in the joint venture.

The requirements of IAS 36, Impairment of Assets ("IAS 36") are applied to determine whether it is necessary to recognize any impairment loss with respect to the REIT's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

As at December 31, 2024 & 2023, the Trust, through its subsidiary CCEU, holds the following joint ventures:

| Name of entity | Principal Activity | Property Name | Country of Incorporation and Residence | Porportion of Ownership Interest and Voting Power Held - 2024 | Porportion of Ownership Interest and Voting Power Held - 2023 |
|---|---|---|---|---|---|
| Cancorp Duisburg SARL ("Duisburg") | Investment property holding | Duisburg Property | Luxembourg | **50% held by CCEU** | **50% held by CCEU** |
| TFI Cancorp Stuttgart SARL ("Stuttgart") | Investment property holding | Stuttgart Property | Luxembourg | **50% held by CCEU** | **50% held by CCEU** |
| SCI Delizy Diamants ("Delizy") | Investment property holding | Delizy Property | France | **50% held by INOPCI 1** | **50% held by INOPCI 1** |
| TFI Cancorp Isenburg SARL ("Isenburg") | Investment property holding | Neu Isenburg Property | Luxembourg | **50% held by CCEU** | **50% held by CCEU** |
| TFI Cancorp Kosching SARL ("Kosching") | Investment property holding | Kösching Property | Luxembourg | **50% held by CCEU** | **50% held by CCEU** |

## Note 3 – Significant accounting policies (Cont'd)

**Trust units**

The REIT classifies issued and outstanding units as equity in the consolidated balance sheet. The units are traditionally financial liabilities but are presented as equity by exception The units are puttable financial instruments because of the unitholders' option to request that the REIT redeem the units, at any point during at the holders option, at a redemption price per unit equal to the fair market value of the units at that time. The REIT has classified the units as equity on the basis the units meet all the criteria in IAS 32, *Financial Instruments: Presentation* ("IAS 32") for such classification also referred to as the "puttable exemption", as follows:

i. The units entitle the unitholder to a pro rata share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after satisfaction of all its liabilities;

ii. The units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;

iii. All Units have identical features;

iv. Apart from the contractual obligation for the REIT to redeem the Units for cash, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the REIT, and are not a contract that will or may be settled in the REIT's own equity instruments; and

v. The total expected cash flows attributable to the units over their life is based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and derecognized net assets of the REIT over the life of the Units.

In addition to the units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the net profit or loss, the change in recognized net assets, or the change in the fair value of the recognized and derecognized net assets of the REIT. The REIT also determined it has no other financial instruments or contracts that have the effect of substantially restricting or fixing the residual return to the unitholders.

Units are initially recognized at the fair value of the consideration received in return for units issued by the REIT. Any transaction costs arising on the issuance of units are recognized directly as a reduction of the carrying value attributed to the units.

## Note 3 – Significant accounting policies (Cont'd)

**Financial instruments**

***Recognition, initial measurement and derecognition***

Financial assets and liabilities are recognized when the REIT becomes a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Financial assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the REIT has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

***Classification and subsequent measurement***

*Trade receivables, loan receivables from joint ventures, and other financial assets*

Trade receivables, loan receivables from joint ventures, and other financial assets are initially measured at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment if applicable.

*Derivative financial instruments and hedge accounting*

Derivative financial instruments are initially measured at their fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value are recognized through profit or loss, except those designated in effective hedging relationships. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For derivatives that are designated in effective hedging relationships, at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated. If a cash flow hedge meets the qualifying criteria, the derivatives and their change in fair value is recognized in "Other comprehensive income". The REIT had no derivatives designated in effective hedging relationships during the years-ended December 31, 2024, and December 31, 2023.

## Note 3 – Significant accounting policies (Cont'd)

**Financial Instruments (Cont'd)**

***Classification and subsequent measurement (Cont'd)***

*Exchangeable securities*

The exchangeable securities issued by the Trust's subsidiary, CCEU, consist of convertible interest-bearing debt instruments in euros and exchangeable into a fixed number of units of the Trust at the discretion of the holder, Inovalis SA, and represent the interest not held by the REIT in controlled and consolidated subsidiaries. However, if upon maturity of the debt instruments, the unit price of the REIT's units is less than $10 per unit, the REIT has the right to the Exchangeable Securities for a fixed number of units of the REIT rather than reimburse the debt. This liability is designated at fair value through profit or loss and measured initially and subsequently at fair value with changes in fair value recognized in the consolidated statements of earnings. This designation is related to the existence of non-closely related embedded derivatives. Gains and losses on remeasurement to fair value are included in the consolidated statement of earnings in "Net change in fair value of Exchangeable Securities" as the cumulative change due to credit spread change is negligible. Transaction costs are expensed in the consolidated statement of earnings in the period in which the costs are incurred, and the services are received. The exchangeable securities are classified as current except for the portion held in escrow, which is classified as non-current.

The Exchangeable Securities are accompanied by Special Voting Units issued by the Trust, which have no economic interest but provide the Exchangeable Securities holder with the same voting rights in the Trust as a Unit. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities for the purpose of providing voting rights with respect to the Trust to the holders of such securities.

In performing its obligations under the management agreement, Inovalis SA is entitled to receive asset management fees. These asset management fees earned by Inovalis SA, in its role as manager of the REIT, are settled quarterly through the issuance of either exchangeable securities or in cash.

The per-unit value of the Exchangeable Securities issued at the time of the initial public offering, including the overallotment, was based on the offering price. The per-unit value of Exchangeable Securities issued by CCEU in lieu of payment for annual management fees is determined based on average quoted market price of the REIT's units on the Toronto stock exchange for five days (volume weighted average price) immediately preceding the transaction.

*Tenant deposits*

Tenant deposits are measured initially at fair value and subsequently at amortized cost using the effective interest method. Under the effective interest method, the difference between the fair value and the notional amount of tenant deposits assumed in business combinations is deferred and recognized over time until the repayment date.

*Mortgage loans and lease equalization loans*

Mortgages loans and lease equalization loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method with transaction cost spread over the life of the loan. These financial liabilities are classified as current liabilities if payment is due within twelve months, which can include accrued interest, or if the REIT does not have an unconditional right to defer settlement for at least twelve months. Otherwise, they are presented as non-current liabilities. Under the effective interest method, the difference between the fair value and the notional amount of these loans assumed in business combinations is deferred and recognized over time until the repayment date.

*Trade and other payables*

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

## Note 3 – Significant accounting policies (Cont'd)

**Financial Instruments (Cont'd)**

***Classification and subsequent measurement (Cont'd)***

*Fair value hierarchy of financial and non-financial items*

The fair value hierarchy, which applies to the determination of fair value, requires, first, the use of observable data which reflect market data obtained from independent sources, if such data exist. An asset or liability is classified at the lowest hierarchical level when significant unobservable market data has been used in the fair value measurement.

The REIT uses the following hierarchy for the fair value determination of financial and non-financial items:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date.

- Level 2 - use of a model with inputs (other than quoted prices classified level 1) that are directly or indirectly observable market data.

- Level 3 - use of a model with inputs that are not based on observable market data.

The REIT recognizes transfers between levels of the fair value hierarchy at the date of the event of a change in circumstances that caused the transfer.

*Impairment*

The REIT uses the expected credit loss ("ECL") model for calculating impairment on financial assets other than those carried at fair value through profit or loss.

For trade receivables, the REIT applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses ("LTECL") be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

For its loans to joint ventures, the ECL is based on the credit losses expected to arise over the life of the loan (the LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-months' expected credit losses (the "12mECL"). The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within 12-months after the reporting date.

The REIT has established a policy to perform an assessment each period as to whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above processes, the REIT groups its loans to joint ventures into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired ("POCI"), as described below:

- Stage 1: When loans are first recognized, the REIT recognizes an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination and is not credit-impaired, the REIT records an allowance for the LTECL.
- Stage 3: Loans considered credit-impaired (see Note 7.) The REIT records an allowance for the LTECL.

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR.

## Note 3 – Significant accounting policies (Cont'd)

**Financial Instruments (Cont'd)**

***Classification and subsequent measurement (Cont'd)***

*Impairment (Cont'd)*

Interest income is recorded based on the gross carrying amount of instruments in Stages 1 and 2, whereas it is calculated based on the carrying amount net of the ECL for those instruments in Stage 3.

Expected credit losses are measured based on expected cash shortfalls, discounted at the instrument's original effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive and are determined using the Probability of Default ("PD"), i.e. the likelihood of default over a given time horizon, the Exposure at Default ("EAD"), i.e. an estimate of the exposure at a future default date, and the Loss Given Default ("LGD"), i.e. an estimate of the loss arising in the case where a default occurs at a given time.

The ECL allowance is only recognized or released to the extent that there is a subsequent change in the expected credit losses. Impairment losses on all financial assets other than loans to joint ventures are recorded in administration expenses in the consolidated statement of earnings of the REIT. Impairment losses on loans to joint ventures are recorded in net income (loss) from joint ventures. Also see Note 7. Impairment losses are grouped with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts in the consolidated statement of financial position.

In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of earnings. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset, at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

**Assets held for sale**

Assets held for sale and liabilities directly associated with assets held for sale are presented on a separate line of the balance sheet when (i) the REIT made the decision to sell the assets (ii) the assets are available for immediate sale in its present condition and (iii) the sale is considered highly probable. These assets are measured at the lower of their carrying value and fair value, less the selling costs.

If impairment loss identified for a disposal group exceeds the carrying amount of non-current assets which are in the scope of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations for measurement within that disposal group, such excess is not recognized.

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the REIT's cash management.

## Note 3 – Significant accounting policies (Cont'd)

**Leases**

The REIT assesses at contract inception whether a contract is, or contains, a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

*As a lessor*

The REIT leases out its investment property, including right-of-use assets. The REIT has classified these leases as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of earnings due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The REIT applies IFRS 15, Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

*As a lessee*

The REIT recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets that meet the definition of investment property are presented within investment property. These right-of-use assets are initially measured at cost, and subsequently measured at fair value, in accordance with the REIT's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the REIT's incremental borrowing rate for similar assets. Generally, the REIT uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

**Revenue recognition**

***Rental revenue***

Management has determined that all leases concluded between the REIT and its tenants are operating leases. Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the REIT is reasonably certain that the tenant will exercise that option. Rental revenue received during the financial year but relating to a subsequent financial year are included in the liabilities under the caption "Deferred Income". Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

***Property operating cost recoveries***

Leases generally provide for the tenants' payment of maintenance expenses for common elements, property taxes and other operating costs, such payment being recognized as operating cost recoveries in the period when the right to payment vests.

***Finance income and costs***

Interest income and expenses are recognized as they accrue using the effective interest method.

## Note 3 – Significant accounting policies (Cont'd)

**Distributions**

Distributions to unitholders are recognized as a reduction of retained earnings and as a liability in the period in which the distributions are approved by the Board of Trustees. Distributions on exchangeable securities are recognized in the consolidated statements of earnings. 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 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.

**Provisions**

Provisions are recognized when the REIT has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the REIT and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present value, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

**Income taxes and levies**

***IFRIC 21 – Levies***

In accordance with IFRS Interpretations Committee ("IFRIC") 21, *Levies*, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay property taxes.

***Canadian income taxes***

The Trust is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to unitholders prior to the end of the taxation year. Pursuant to the REIT's Amended and Restated Declaration of Trust, dated April 10, 2013, the trustees shall make payable to unitholders a distribution of sufficient net realized capital gains and income that the Trust shall not be liable to pay taxes under Part 1 of the Tax Act. As a result, there is generally little possibility of the Trust being taxable on ordinary income under Part 1 of the Income Tax Act. Consequently, the Trust does not recognize Canadian income taxes under IAS 12, *Income Taxes* ("IAS 12") because it has an "in-substance" exemption. The Trust consolidates wholly owned incorporated entities that are subject to tax. The tax disclosures and expense relate to these entities.

## Note 3 – Significant accounting policies (Cont'd)

**Income taxes and levies (Cont'd)**

***Foreign taxes***

The REIT's subsidiaries may be subject to income tax and to withholding tax on distribution among its subsidiaries, pursuant to applicable legislation in France, Germany, Spain, Luxembourg and the United States. The tax expenses for the year related to non-Canadian taxable subsidiaries comprises current and deferred taxes. Where applicable, the current tax charge is calculated based on the tax laws enacted or substantively enacted at the consolidated balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Where applicable, deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

According to the rebuttable presumption exception of IAS 12, the measurement of a deferred tax liability or a deferred tax asset arising on an investment property measured at fair value should reflect the tax consequences of recovering the carrying amount entirely through sales.

**Segment reporting**

The REIT owns and operates a portfolio of investment properties located in France, Germany and Spain. These properties are used to derive revenues from the rental of office space leased to corporate clients in urban areas. Management has determined that this portfolio is a single operating segment.

## Note 4 – Critical accounting judgments and estimates

In preparing these consolidated financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are presented below:

**Valuation of investment property**

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. Investment properties are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuators in estimating the fair value of investment properties is set out in Note 6.

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

**Business combinations**

The REIT performs an assessment of each acquisition of investment property to determine whether the acquisition is to be accounted for as an asset acquisition or business combination.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. For each transaction, the REIT may elect to apply the concentration test under IFRS 3 to determine if the fair value of gross assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition is qualified as an acquisition of a group of assets and liabilities and not of a business.

If the concentration test is not met, or if the REIT elects not to apply the test, the REIT then performs the detailed assessment whether the transaction is an acquisition of a business or of assets. The purchase of investment properties is classified as a business acquisition on the basis that it involves the acquisition of leasable space (inputs), management processes to lease that space to tenants and leasing arrangements with tenants that generated rental income (processes). In the absence of such criteria, a group of assets is deemed to have been acquired. When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

**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'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 doing so, management has determined that there is a material uncertainty associated with this going concern assumption, as it requires the completion of the sale of the Sabliere property, scheduled on April 30, 2025. In forecasting future cash flows, management has made the following significant judgements:

A. **Dispositions of Assets**: The REIT's ability to operate as a going concern for the twelve-months subsequent to the date of release of financial statements is dependent on the REIT's ability to successfully complete the sale of one or more assets held within the REIT's asset recycling plan at prices consistent with the latest fair values determined for these assets. The sale of the Arcueil property is expected to close in 2026.

   For the Sabliere property, subsequent to the year end, on March 28, 2025, the REIT signed a binding agreement of purchase and sale for its disposition. The agreement affirms the buyer's unconditional commitment to the acquisition, supplements the non-refundable deposit and establishes a revised timeline for the final closing and payment, set for April 30, 2025. The contract includes an €1,800 ($2,680) indemnity (equivalent to 10% of the sale price) in the unlikely event that the buyer does not proceed. While this scenario is not expected, the indemnity provides the REIT with financial flexibility to find an alternative buyer for this nearly vacant property with high redevelopment potential, in downtown Paris. In the event that Sabliere is not able to be sold, the resulting projected net cash shortfall as at the end of 2025 would total $3.8 million.

   The REIT notes that it could also consider the disposition of its Baldi property in France which has a 17% loan-to-value (supported by Q4 2024 external valuation report of $25.9 million) and Delgado property in Spain, which has good marketing key data and would generate estimated cash proceeds of $12 million.

B. **Availability of Financing:** The REIT's ability to operate as a going concern for the twelve-months subsequent to the balance sheet date is also dependent on the REIT's ability to successfully negotiate extensions and other modifications to its third-party loans to accommodate cash flow needs and is dependent on the REIT's ability to prevent the exercise of early repayment rights for lenders where certain covenants are in breach.

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

- The SCI Sabliere entity is in breach of the debt service coverage covenant on its $12,721 mortgage loan due to the planned sale of this asset (See Note 13). The REIT is in communications with the lender due to the ongoing sale process for this property. This breach provides the lender with the right to trigger early repayment on the loan. Should repayment be requested by the Lender, this would result in a material cash shortfall for the REIT. However, considering the anticipated disposition of the Sabliere property on April 30, 2025 (see above) and the associated full repayment of the outstanding loan amount of $12,721, the lender does not intend to request early repayment before the sale of the asset.
- As at December 31, 2024, the Trio property is in breach of the loan to value ratio on its $42.6M mortgage loans outstanding. Subsequent to the year end, on March 19, 2025, the senior lender on the Trio property, HCOB, confirmed a 6-month extension of financing (initially maturing on March 15, 2025) and agreed on the timing for a €5,500 ($8,191) repayment in early April 2025, condition for the waiver of the second mortgage held by HCOB on the Bad Homburg property (see below). The loan repayment would be funded by a €5,600 ($8,340) mezzanine loan on the Bad Homburg property, currently under finalization, to be formally granted beginning of April 2025. The 18-month mezzanine loan bears interest at 12% (6% paid quarterly and 6% at maturity). Management's objective is to refinance this loan with conventional financing, depending on progress on the reletting strategy. Given that all of the other terms of the Trio loan have been met and based on the REIT's regular communications with the lender, the REIT does not anticipate receiving an early repayment request from the lender.
- However, should repayment be requested after September 15, 2025, the liquidity risk associated with this default is confined at the Trio entity level and triggers default interest payments during the default period. If recourse is made to the guarantees provided by the REIT, the risk would entail the loss of Trio's contribution to the REIT's equity, without compromising its liquidity. (see Note 32 Subsequent Events).
- As at December 31, 2024, the SCI Baldi entity is in breach of two covenants on its $4.5M mortgage loan due to planned tenant vacancies resulting due to the property being held within the REIT's asset recycling plan (See Note 13). The REIT is in communication with the lender regarding the planned future sale of this property. Given that all of the other terms of the Baldi loan have been met and based on the status of the REIT's regular communications with the lender, management does not anticipate the bank exercising its repayment right. However, this breach provides the lender with the right to trigger early repayment on the loan. Should repayment be requested by the Lender, this could result in a cash shortfall for the REIT, requiring additional cash flow strategies to be employed to mitigate liquidity risk.

**Joint arrangements**

The joint arrangements are separately incorporated. The REIT has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the REIT's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11, *Joint Arrangements* ("IFRS 11"). As a consequence, it accounts for its investments using the equity method. The classification of joint arrangements in accordance with IFRS 11 may require the judgment of management, particularly if there are several agreements related to the joint arrangements. Further details are disclosed in Note 7.

**Current tax liabilities**

Current tax liabilities relating to proposed income tax reassessments are accounted for under IFRIC 23 – Uncertainty over Income Tax Treatments. The REIT has accounted for such amounts by recording a liability equal to the amount that best represents the expected payout, using the "most likely" estimation model. The significant assumptions used by management to determine the expected payout include the likelihood that the tax authorities will accept the REIT's proposed treatment versus the likelihood that the REIT's proposed treatment will be disallowed. Further details on taxes are disclosed in Note 22.

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

**Deferred tax liabilities**

The deferred tax liabilities correspond to the deferred tax expense relating to the origination of temporary differences arising from the unrealized gains on investment properties located in France, Germany and Spain. Further details on taxes are disclosed in Note 22.

**Deferred tax assets**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 22.

## Note 5 – Future changes to accounting policies

The REIT monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the REIT’s operations. Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the REIT reasonably expects to be applicable at a future date. The REIT intends to adopt the following standard when it becomes effective:

**Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates***

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Management is currently assessing the impact of the amendments.

**IFRS 18, *Presentation and Disclosure in Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

IFRS 18 also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. Management is currently assessing the impact of the amendments on the consolidated financial statements of the REIT.

## Note 5 – Future changes to accounting policies (cont'd)

**IFRS 19, *Subsidiaries without Public Accountability: Disclosures***

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards.

To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. As the REIT's units are publicly traded, it is not eligible to elect to apply IFRS 19.

## Note 6 – Investment properties

Reconciliations of the carrying amounts of investment properties for the years ended December 31, 2024, and 2023 are as follow:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| **Balance, beginning of the period** | **412 967** | **437 422** |
| Capex | **768** | 633 |
| Change in capitalized letting fees | **(39)** | (72) |
| Rent free periods | **(318)** | (443) |
| Net change in fair value of investment properties | **(66 774)** | (28 117) |
| Foreign currency translation adjustment | **7 246** | 3 544 |
| Asset classified as held for sale | **(26 061)** | - |
| **Balance, end of the period** | **327 789** | **412 967** |

All of the REIT's investment properties with a fair value of $327,789 (2023 - $412,967) are pledged as security for an amount of $215,236 (2023 - $219,232) in mortgage loans and lease liabilities.

On November 28, 2024, the REIT signed an exchange contract with a third-party purchaser relating to the sale of the Sabliere property, to close on April 30, 2025. This asset has been classified as an asset held-for-sale as at December 31, 2024. Also see Note 12.

On December 18, 2024, the REIT signed an exchange contract with a third-party purchaser relating to the sale of the Arcueil property. Due to the condition precedent to the sale and the timing of the closing, anticipated at the earliest for the second half of 2026, this asset does not meet criteria for a classification as an asset held-for-sale as at December 31, 2024.

### Valuation of investment properties

*Fair Value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation.

Investment properties and properties held for sale are carried at fair value, and the REIT uses significant unobservable inputs to estimate fair value of these assets at each reporting date including capitalization rate and stabilized net operating income. See below for further description of inputs used by the REIT in estimating the fair value of its properties. Significant unobservable inputs are classified as Level 3 inputs under IFRS. See Note 25 for further details.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, judgment is required to estimate fair value

## Note 6 – Investment properties (cont'd)

based on the best information available, including prices for similar assets and the use of other valuation techniques.

These valuation techniques are consistent with the objective of measuring fair value and involve a degree of estimation depending on the availability of market-based information.

*Valuation Processes and Techniques*

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

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 on using the same capitalization (discount) rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

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

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of the REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties, German properties and Spanish property. For the purpose of preparing the annual consolidated financial statements, all properties have been valued by external evaluators as of December 31, 2024.

The adjusted market-value and capitalization rates by country for investment properties owned entirely by the REIT are set out in the following table:

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

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

## Note 6 – Investment properties (Cont'd)

| | 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 EUR** | **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 $163,083 (2023 – $186,953) under leases which begin to expire in approximately 3 years (2023: 4 years).

### Arcueil

The €50 million ($74.5 million) fair value for 100% of the Arcueil property estimated by external appraisers has been adjusted to €38.2 million ($56.9 million) to reflect the prorated sale price of 87.5% of the property and the length of time required to close the transaction.

On December 18, 2024, the REIT signed an exchange contract with two parties relating to the sale of 87.5% of the Arcueil property for €37.5 million ($55.8 million), which reflects on a pro-rated basis an appraised value of €43.8 million ($65.2 million). The fair value recognized for the Arcueil property as at December 31, 2024 of €38.2 million ($56.9 million), is based on the cash flows forecasted to be realized upon this sale, discounted at 6.68% (risk-free rate of 4.68% plus applicable risk premium of 2%), due to the expected timing of the sale in the second half of 2026 and conditions attached to the closing. Should this risk premium rise, the fair value of the property would decline to €37.7 million ($56.1 million) for a risk premium of 3% or €37.1 million ($55.2 million) for a risk premium of 4%.

The expected net proceeds from this sale (87.5% of the property) after the full repayment of the bank debt related to the property are €6.2 million ($9.2 million), which will be used for capital expenditures relating to the re-positioning and/or re-development of currently owned properties and further reducing the REIT's indebtedness. The remaining 12.5% of the property, dedicated to office, is being marketed separately.

The sale is conditional upon the satisfaction of certain conditions including the issuance of a building permit, the receipt of financing by the purchasers as well as other municipal approval and environmental conditions. Upon these conditions being met, the closing of the transaction is expected to take place in the second half of 2026. Due to the conditions attached to the sale and the expected timing of the closing, the Arcueil property does not meet the criteria for a classification as an asset held-for-sale as at December 31, 2024.

## Note 7 – Investments in joint ventures

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

| | Duisburg | Stuttgart | Delizy[3] | Isenburg | Kosching | Total |
|---|---|---|---|---|---|---|
| **Balance - December 31, 2022** | **16 857** | **15 317** | **3 066** | **11 396** | **9 057** | **55 693** |
| Additional investment for the year | - | - | 730 | - | - | 730 |
| Share of net loss from investments [1] | (2 476) | (3 512) | (595) | (2 922) | (1 255) | (10 761) |
| Impairment of loans to 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 year | **-** | **149** | **561** | **477** | **-** | **1 187** |
| Share of net (loss) income from investments [1] | **(2 167)** | **148** | **2 135** | **(2 930)** | **(367)** | **(3 181)** |
| Impairment of loans to joint ventures[2] | **-** | **-** | **(2 729)** | **-** | **-** | **(2 729)** |
| Loan repayments received from joint ventures | **-** | **-** | **-** | **-** | **(626)** | **(626)** |
| Exchange differences | **255** | **214** | **33** | **123** | **139** | **764** |
| **Balance - December 31, 2024** | **12 602** | **12 217** | **-** | **5 354** | **6 874** | **37 047** |

(1) *The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $2,827 (2023 – $2,721) are included in "Finance income from joint venture loans" (see Note 21).*

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

(3) *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 December 31, 2024.*

The consolidated share of net loss from joint ventures, totaling $5,910, includes $3,181 of share of net loss income from investments and $2,729 of impairment of loans to joint ventures.

The balance of investments in joint ventures as at December 31, 2024 includes loans to joint ventures for an amount of $23,168 which is detailed as follows:

| Loans to joint ventures | Duisburg | Stuttgart | Delizy[1] | Isenburg | Kosching | Total |
|---|---|---|---|---|---|---|
| Gross Balance - December 31, 2024 | 11 100 | 9 746 | 11 805 | 652 | (705) | 32 598 |
| Less: Cumulative ECL | - | - | (9 430) | - | - | (9 430) |
| Net Balance - December 31, 2024 | **11 100** | **9 746** | **2 375** | **652** | **(705)** | **23 168** |
| 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 December 31, 2024 has been entirely offset by losses from the REIT's investment in joint venture upon inclusion of the loan as part of the REIT's overall investment in the Delizy JV under IAS 28.*

### 2024

#### *Stuttgart*

On October 31, 2024, the REIT successfully extended the $37,040 (€24,600) mortgage loan of the Stuttgart property, with the lender DZHYP to February 2026.

Under the extension, the loan 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 will prevent distribution to shareholders until full repayment of the loan. This extension allows Management to plan for the exit strategy.

#### *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 Isenburg JV, with a new lender, DZHYP for €21,400 ($31,295) to February 2025. Then, on October 31, 2024, an amendment was signed to extend the loan for an additional year to February 2026.

Under the extension to February 2026, the loan 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 refinancing allows Management to work on the reletting of the 20% vacant areas, and to plan for the exit strategy.

## Note 7 – Investments in joint ventures (Cont'd)

***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 to January 2025. Then, on October 31, 2024, an amendment was signed to extend the loan with DZHYP to February 2026.

Under the extension to February 2026, the loan 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 €520 ($783) and will prevent distribution to shareholders until full repayment of the loan. This one-year extension allows Management to plan for the exit strategy.

***Additional loans from joint venture***

During the year-ended December 31, 2024, additional loans from joint ventures of €420 ($626) occurred for Kosching.

***Additional loans to joint venture***

During the year-ended December 31, 2024, additional loans to joint ventures of €320 ($477) occurred for Isenburg and €100 ($149) for Stuttgart.

The REIT also increased its loan to Delizy during the year-ended December 31, 2024, by €377 ($561) which 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.

**2023**

***Delizy***

In September 2023, the REIT entered into an extension of its initial agreement to defer monthly interest payments on its loan to Delizy. The agreement included the deferral of monthly interest payments for the months of November 2020 to December 2023 to Q1 2024. No additional interest was charged on any payments deferred. There was no impact on the REIT's income from joint ventures due to the above deferral.

The REIT increased its loan to Delizy during the year-ended December 31, 2023, by €500 ($730).

***Stuttgart***

On October 10, 2023, the REIT signed an extension relating to the mortgage loan on the property within the Stuttgart entity. The new amendment extended the mortgage loan for one year to August 31, 2024.

The REIT applied extinguishment accounting to account for the changes to the mortgage loan. A loss on extinguishment of mortgage loan of €38 ($53) was recorded as part of "Other finance costs" (see Note 21).

***Kosching***

The loan payable of $79 remained classified as a long-term interest under IAS28 as the amount is immaterial as of December 31, 2023.

***Repayments on loans to joint ventures***

During the year ended December 31, 2023, loan repayments of €150 ($219), €600 ($876) and €100 ($146) occurred respectively for Stuttgart, Isenburg and Kosching.

# Note 7 – Investments in joint ventures (Cont’d)

## Impairment on loans to joint ventures

***Delizy***

In December of 2024, the REIT obtained an updated appraisal of the value of the building held by Delizy. The appraisal reflected a further decline in the fair value from prior periods, such that the REIT’s loan to Delizy continues to be not recoverable in its entirety if the building were to be realized at the appraised value. Based on the continued decline in fair value, together with the interest deferrals and other factors considered, the loan to Delizy has been determined to continue to be Stage 3 credit impaired as at December 31, 2024. As a result, an expected credit loss has been recorded based on the expected cash shortfall which was determined based on the fair value of the property, anticipated disposal costs and other assets and liabilities of the joint venture.

## Summarized financial information for joint ventures

The tables below provide the summarized financial information for joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures. They have been amended to reflect adjustments made by the REIT when using the equity method, including modifications for differences in accounting policies between local GAAP applicable to the relevant joint ventures and IFRS.

| **Summarised balance sheet** | **Duisburg** | | **Stuttgart** | | **Delizy** | | **Isenburg** | | **Kosching** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 |
| **Current assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 999 | 156 | 569 | 1 301 | 345 | 539 | 401 | 1 895 | 333 | 1 710 | 2 647 | 5 601 |
| Other current assets | 602 | 1 482 | 599 | 2 762 | 2 093 | 1 836 | 146 | 1 498 | 377 | 514 | 3 817 | 8 092 |
| **Total current assets** | **1 601** | **1 638** | **1 168** | **4 063** | **2 438** | **2 375** | **547** | **3 393** | **710** | **2 224** | **6 464** | **13 693** |
| **Non-current assets** | **80 915** | **81 931** | **63 274** | **59 709** | **28 004** | **31 776** | **39 614** | **44 513** | **34 204** | **33 939** | 246 011 | 251 868 |
| **Current liabilities** | | | | | | | | | | | | |
| Financial liabilities | 24 109 | 23 246 | 21 364 | 55 112 | 8 341 | 6 818 | 1 935 | 33 868 | 155 | 19 359 | 55 904 | 138 403 |
| Other current liabilities | 1 578 | 186 | 136 | 2 655 | 1 617 | 1 460 | 516 | 1 372 | 283 | 850 | 4 130 | 6 523 |
| **Total current liabilities** | **25 687** | **23 432** | **21 500** | **57 767** | **9 958** | **8 278** | **2 451** | **35 240** | **438** | **20 209** | **60 034** | **144 926** |
| **Non-current liabilities** | | | | | | | | | | | | |
| Financial liabilities | 48 977 | 48 078 | 36 222 | - | 42 198 | 40 492 | 31 590 | - | 19 242 | - | 178 229 | 88 570 |
| Other non-current liabilities | 4 848 | 4 832 | 4 346 | 3 968 | - | - | 1 416 | 2 263 | 1 772 | 2 008 | 12 382 | 13 071 |
| **Total non-current liabilities** | **53 825** | **52 910** | **40 568** | **3 968** | **42 198** | **40 492** | **33 006** | **2 263** | **21 014** | **2 008** | **190 611** | **101 641** |
| **Net assets** | **3 004** | **7 227** | **2 374** | **2 037** | **(21 714)** | **(14 619)** | **4 704** | **10 403** | **13 462** | **13 946** | **1 830** | **18 994** |
| REIT’s share in % | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | | |
| REIT’s share in CAD | 1 502 | 3 614 | 1 187 | 1 019 | (10 857) | (7 342) | 2 352 | 5 202 | 6 731 | 6 973 | 915 | 9 466 |
| Goodwill [1] | - | - | 1 284 | 1 262 | - | - | 1 567 | 1 539 | - | - | 2 851 | 2 801 |
| Acquisition costs | - | - | - | - | - | - | 783 | 769 | 848 | 834 | 1 631 | 1 603 |
| Loans to Joint Ventures | 11 100 | 10 900 | 9 746 | 9 425 | 11 805 | 11 023 | 652 | 174 | (705) | (79) | 32 598 | 31 443 |
| Unrecognized share of operational losses [2] | - | - | - | - | 8 482 | 2 865 | - | - | - | - | 8 482 | 2 865 |
| Impairment charge net of foreign exchange impact | - | - | - | - | (9 430) | (6 546) | - | - | - | - | (9 430) | (6 546) |
| **Carrying amount** | **12 602** | **14 514** | **12 217** | **11 706** | **-** | **-** | **5 354** | **7 684** | **6 874** | **7 728** | **37 047** | **41 632** |

(1) *The goodwill is the difference between the amount paid for the joint venture at the acquisition date and the proportionate share of the REIT in assets and liabilities of the joint venture at fair value at the acquisition date.*

(2) *The REIT has only recognized the portion of its share of net loss from the Delizy joint venture required to bring its investment to nil.*

## Note 7 – Investments in joint ventures (Cont'd)

### Summarized financial information for joint ventures (Cont'd)

| Summarised statement of comprehensive income | Duisburg | | Stuttgart | | Delizy[1] | | Isenburg | | Kosching | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 |
| Net rental earnings | 5 838 | 4 518 | 4 832 | 4 053 | 1 166 | 1 168 | 2 603 | 2 956 | 2 716 | 2 661 | 17 155 | 15 356 |
| Administration expenses | (615) | (607) | (681) | (786) | (641) | (569) | (716) | (668) | (448) | (469) | (3 101) | (3 099) |
| Net change in fair value of investment properties | (6 283) | (6 580) | (814) | (8 722) | (4 226) | (4 606) | (6 560) | (8 442) | (2 371) | (4 817) | (20 254) | (33 167) |
| Loss on financial instruments at FVTPL | - | - | - | - | (8) | (18) | - | - | - | - | (8) | (18) |
| Finance income | - | - | - | - | - | - | - | - | 107 | 9 | 107 | 9 |
| Finance costs | (3 435) | (3 439) | (3 172) | (2 622) | (3 085) | (2 895) | (2 179) | (797) | (897) | (367) | (12 768) | (10 120) |
| Loss on disposal of an int.in a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - |
| Current income tax (expense) recovery | (2) | (2) | (8) | (8) | - | - | (13) | (2) | (113) | (186) | (136) | (198) |
| Deferred income tax recovery (expense) | 165 | 1 157 | 140 | 1 062 | - | - | 1 006 | 1 109 | 271 | 660 | 1 582 | 3 988 |
| **(Loss) profit for the year** | **(4 332)** | **(4 953)** | **297** | **(7 023)** | **(6 794)** | **(6 920)** | **(5 859)** | **(5 844)** | **(735)** | **(2 509)** | **(17 423)** | **(27 249)** |
| REIT's share in % | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | | |
| Unrecognized share of operationnal losses | - | - | - | - | 5 532 | 2 865 | - | - | - | - | 5 532 | 2 865 |
| **Share of net (loss) earnings from investments** | **(2 166)** | **(2 477)** | **148** | **(3 512)** | **2 135** | **(595)** | **(2 930)** | **(2 922)** | **(368)** | **(1 255)** | **(3 181)** | **(10 761)** |

(1) *Only a portion of the REIT's share of net loss from the Delizy joint venture has been recognized any additional losses beyond those required to bring its net investment in Delizy to nil, as it has no legal or constructive obligation to provide any additional funding to the Delizy joint venture as at December 31, 2024.*

The consolidated share of net loss from joint ventures, totaling $5,910, includes $3,181 of share of net loss income from investments and $2,729 of impairment of loans to joint ventures.

The adjusted market-value and capitalization rates by country for investment properties owned by the REIT through joint ventures are set out in the following table:

| | As at December 31, 2024 | | | As at December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | France | Germany | Total | France | Germany | Total |
| Fair value of investment properties owned in joint ventures for financial reporting purposes | | | | | | |
| Market value (in KEUR) as estimated by external appraisers | **19 300** | **140 000** | **159 300** | 22 199 | 147 352 | 169 551 |
| Option costs | **(495)** | **-** | **(495)** | (470) | - | (470) |
| **Adjusted market value in EUR** | **18 805** | **140 000** | **158 805** | **21 729** | **147 352** | **169 081** |
| Exchange adjustment | **9 199** | **68 488** | **77 687** | 10 047 | 68 136 | 78 183 |
| **Adjusted market value in CAD$ - 100%** | **28 004** | **208 488** | **236 492** | **31 776** | **215 488** | **247 264** |
| **Adjusted market value in CAD$ - REIT's portion** | **14 002** | **104 244** | **118 246** | **15 888** | **107 744** | **123 632** |
| Principal method used to value property[1] | **DC** | **DC** | | DC | DC | |
| Capitalization rate | **7.30%** | **6.10% to 6.60%** | | 6.75% | 5.80% to 6.20% | |
| Terminal capitalization rate | **7.50%** | **6.42%** | | 6.75% | 6.01% | |
| Impact on the fair value of investment properties of : | | | | | | |
| an increase of 25 bps on the cap rate and/or discount rates | **(452)** | **(3 910)** | **(4 362)** | (602) | (4 781) | (5 383) |
| a decrease of 25 bps on the cap rate and/or discount rates | **483** | **4 228** | **4 711** | 651 | 5 247 | 5 898 |

(1) *"DC" for Direct Capitalization Method*

## Note 8 – Derivative financial instruments

As at December 31 2024, the REIT has disposed of or settled all of its derivative financial instruments. The Baldi interest cap contract was matured on December 31, 2024, and all other foreign exchange contracts were cancelled in December 2024.

A summary of the derivative financial instruments held by the REIT as at December 31 2023 is outlined below:

| | | Period covered | | Conversion from/to | | | As at December 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Classification and type** | **Number of contracts** | **From** | **To** | **Euros or rate** | **$ or rate** | **Rate** | **Total notional amount** | **Fair value** | **Current** | **Non - current** |
| **Other derivatives - assets** | | | | | | | | | | |
| Foreign exchange | 6 | 10/04/2024 | 10/09/2024 | 910 | 1 400 | 1,5390 | 8 400 | 404 | 404 | - |
| Baldi interest rate CAP | 1 | 31/12/2022 | 31/12/2024 | Variable | Capped | 1,000% | 5 504 | 124 | 124 | - |
| Metropolitain interest rate SWAP | 1 | 01/01/2023 | 21/03/2024 | Variable | Fixed | 0,230% | 54 205 | - | - | - |
| | | | | | | | | **527** | **527** | **-** |
| **Other derivatives - liabilities** | | | | | | | | | | |
| Foreign exchange | 6 | 08/10/2024 | 10/03/2025 | 1 005 | 1 400 | 1,3925 | 8 400 | (487) | (377) | (110) |
| | | | | | | | | **(487)** | **(377)** | **(110)** |

### 2024

During the year ended December 31, 2024, the REIT negotiated cancellations of six of its monthly foreign exchange forward contracts with Banque Palatine, relating to distributions for the months of April to September 2024. This cancellation resulted in a gain for the REIT of €300 ($455).

In addition, the REIT negotiated cancellations of its six-monthly foreign exchange forward contracts with Alpha, relating to distributions for the months of December 2024 to March 2025. This second cancellation resulted in a loss for the REIT of €435 ($650). Of this amount, €239 ($356) is only payable by the REIT in March 2025 and is therefore presented in trade payable as at December 31, 2024.

Each of these monthly contract cancellations represented a notional amount of CAD $1,400. The cancellations resulted in a net realized loss to the REIT of €135 ($195) which has been recognized in other finance income (see Note 21).

### 2023

During the year-ended December 31, 2023, the REIT negotiated cancellations of seven of its monthly foreign exchange forward contracts with Banque Palatine, relating to distributions for the months of September 2023 to March 2024. Each of the monthly contract cancellations represented a notional amount of CAD $1,400. The cancellations resulted in a realized gain to the REIT of €206 ($301) which was recognized in other finance income (see Note 21).

The interest rate swap contracts for Véronèse property with a nominal amount of $9,257 as at December 31, 2022, was disposed in 2023 before the maturity date resulted in a realized gain of €201 ($293) which was recognized in other finance income (see Note 21).

For the year-ended December 31, 2023, the amount of $3,604 of fair value loss on derivative instruments was composed of $3,485 of fair value change on derivative contracts, $114 of fair value change regarding tenant deposit and $5 of translation currency.

## Note 9 – Trade receivables and other financial assets

| | Note | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|---|
| Trade receivables | | **3 560** | 3 449 |
| Provision for impairment of trade receivables | | **(868)** | (858) |
| **Trade receivables** | | **2 692** | **2 591** |
| Other receivables | | **676** | 662 |
| Other receivables - Inovalis SA | *27* | **521** | 366 |
| Interest receivable - Joint ventures - current | *27* | **5 639** | 3 515 |
| **Other current financial assets** | | **6 836** | **4 543** |
| **Total trade receivables and other financial assets** | | **9 528** | **7 134** |

## Note 10 – Other current assets

| | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|
| VAT and other sales tax receivables | **1 729** | 3 686 |
| Prepaid expenses | **144** | 123 |
| **Other current assets** | **1 873** | **3 809** |

## Note 11 – Cash, cash equivalents and restricted cash

### Cash and cash equivalents

| | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|
| Cash on hand | 6 249 | 10 489 |
| Short term deposit | - | 2 000 |
| **Cash and cash equivalents** | **6 249** | **12 489** |

### Restricted cash

| | | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|---|
| Capex reserve | Trio property | 1 167 | 3 273 |
| Bank loan reserve | Sablière property | - | 1 628 |
| Bank loan reserve | Delgado property | 372 | - |
| Others | | 72 | 72 |
| **Non current** | | **1 611** | **4 973** |
| Capex reserve | Trio property | 370 | 53 |
| Bank loan reserve | Sablière property | 1 281 | - |
| Others | | - | 143 |
| **Current** | | **1 651** | **196** |
| **Restricted cash** | | **3 262** | **5 169** |

A bank loan reserve of €860 ($1,281) related to the Sablière property is included as restricted cash as at December 31, 2024 corresponding to the DSCR covenant reserve.

## Note 12 – 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. 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 exchange contract was signed on November 28, 2024, at sale price of €18,200 ($27,103). The sale is subject to transaction costs (eviction costs, broker fees and disposition fees). The signed offer included a proposed timeline requiring close of the sale on March 28, 2025, at the latest. As the REIT is committed to close of sale of the Sabliere property within 12-months as at December 31, 2024 and given all the criteria related to classification as an asset held for sale are met, the Sabliere property has been presented on a separate line in the consolidated balance sheet as an "Asset held for sale" as at December 31, 2024.

On March 28, 2025, the REIT signed a binding agreement of purchase and sale for the Sabliere property. This contract reaffirms the buyer's unconditional commitment to the acquisition, supplements the non-refundable deposit and establishes a revised timeline for the final closing and payment, set for April 30, 2025 (see Note 32, Subsequent events).

## Note 13 – Mortgage loans, lease liabilities and interest-bearing loan

Mortgage loans, and leases liabilities consist of the following:

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

*(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% | 27/03/2027 | 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 13 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

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

| | As at December 31, 2024 | | As at December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying value** | **Minimum payments** | **Carrying value** | **Minimum payments** |
| Within 1 year | **60 488** | **50 817** | 50 524 | 52 184 |
| After 1 year, but not more than 5 years | **53 961** | **66 683** | 65 710 | 69 187 |
| More than 5 years | - | - | - | - |
| | **114 449** | **117 500** | **116 234** | **121 371** |
| Less : future interest costs | - | **(3 051)** | - | (5 137) |
| **Total mortgage loans** | **114 449** | **114 449** | **116 234** | **116 234** |

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

| | As at December 31, 2024 | | As at December 31, 2023 | |
|---|---|---|---|---|
| | **Carrying value** | **Minimum lease payments** | **Carrying value** | **Minimum lease payments** |
| Within 1 year | **5 035** | **8 794** | 6 819 | 12 440 |
| After 1 year, but not more than 5 years | **56 036** | **67 235** | 54 591 | 68 732 |
| More than 5 years | **39 716** | **41 993** | 41 588 | 46 731 |
| | **100 787** | **118 022** | **102 998** | **127 903** |
| Less : future interest costs | - | **(17 235)** | - | (24 905) |
| **Total lease liabilities** | **100 787** | **100 787** | **102 998** | **102 998** |

**2024**

***<u>Trio – Loan extension</u>***

On June 12, 2024, the mortgage loan within Trio was extended to March 15, 2025. As the mortgage loan remains due within the next 12 months, the total carrying amount of the loan remains as a current liability. During the twelve-month period ending on December 31, 2024, the REIT recognized a modification loss of $166 in other finance expenses on extension, in addition to $361 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.

Subsequent to the year-end, on March 19, 2025, the senior lender on the Trio property, HCOB, confirmed the 6-month extension of financing and agreed on the timing for the €5,500 ($8,191) repayment early April 2025, condition for the waiver of the second mortgage held by HCOB on the Bad Homburg property.

***Loan Covenants***

**Baldi SCI**

The mortgage loan within the SCI Baldi entity is subject to two loan covenants, requiring the debt service coverage ratio ("DSCR") to be over 115% and the loan to value ("LTV") ratio to be less than 70%. These covenants are tested annually for compliance on June 30th, at which date if either of the covenants are not met, the mortgage loan becomes payable on demand. As at the most recent reference date, June 30th, 2024, the REIT was in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. As there is currently no waiver in place as at December 31, 2024, the total carrying amount of the loan remains classified as a current liability due to the lender's right to repayment.

## Note 13 – Mortgage loans, lease liabilities and interest-bearing loan (Cont’d)

***Loan Covenants (cont’d)***

**Sabliere SCI**

The mortgage loan within the SCI Sabliere entity is subject to two loan covenants, requiring the debt service coverage ratio (“DSCR”) to be over 120% and the loan to value (“LTV”) ratio to be less than 65%. These covenants are tested annually for compliance on December 31st, at which date if either of the covenants are not met, the mortgage loan becomes payable on demand. As at the most recent reference date, December 31, 2024, the REIT is in breach of its DSCR covenant as a result of planned tenant vacancies within this entity as a condition for the future sale. Due to this breach in covenant and due to the classification of the related Sabliere property as an asset held-for-sale, the total carrying amount of the loan has been presented as a current liability as at December 31, 2024.

**Gaia Nanterre**

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

**Cancorp Trio 1, 2, 3**

The mortgage loans within the Cancorp Trio 1, 2 & 3 entities are subject to a loan covenant, requiring the LTV ratio to be over 75%. This covenant is tested annually for compliance on December 31st, at which date if it is not met the mortgage loan becomes payable on demand. As at December 31, 2024, based on the fair market value of the property, the REIT is in breach of this covenant. Given the breach in covenant and given the maturity of the Trio mortgage loan on March 15, 2025, the total carrying amount of the loan has been presented as a current liability as at December 31, 2024.

***Interest-bearing loan***

The interest-bearing loan of €127 ($189) at December 31, 2024 (€127 ($186) at December 31, 2023), is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 4.5-year term and bears a market practice interest at a fixed rate of 6.5%.

**2023**

***Walpur Four – Loan repayment***

The REIT repaid the loan and accrued interest on the Bad Homburg property in the amount of €11,236 ($16,239) on June 30, 2023.

***Baldi SCI – Loan covenant breach***

As at December 31, 2023, the REIT was 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 was no waiver in place as at December 31, 2023, the total carrying amount of the loan was classified as a current liability due to the lender’s right to repayment.

***Interest-bearing loan***

The interest-bearing loan of €127 ($186) at December 31, 2023 was repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan had a 4.5-year term and bears a market practice interest at a fixed rate of 6.5%.

## Note 14 – Exchangeable Securities

| Exchangeable securities issued and outstanding | Exchangeable securities | |
|---|---|---|
| | Number of Exchangeable securities | Carrying amount of Exchangeable securities |
| **Balance - December 31, 2022** | **938 036** | **3 536** |
| Net change in fair value of exchangeable securities | - | (1 941) |
| **Balance - December 31, 2023** | **938 036** | **1 595** |
| Conversion of exchangeable securities into units of the REIT | **(545 144)** | **(503)** |
| Net change in fair value of exchangeable securities | - | **(735)** |
| Impact of foreign exchange | - | **28** |
| **Balance - December 31, 2024** | **392 892** | **385** |

**Distributions 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 the years ended December 31:

| | Note | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|---|
| Amount payable at the beginning of the period | | **237** | 236 |
| Declared and recognized in earnings during the period | | **-** | 387 |
| Distribution on exchangeable securities paid in cash | | **(237)** | (386) |
| **Amount payable at the end of the period** | *15* | **-** | **237** |

## Note 15 – Trade and other payables

| | Note | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|---|
| Trade payables | | **6 321** | **4 452** |
| **Trade payables** | | **6 321** | **4 452** |
| Other payables | | **1 092** | 215 |
| Distributions payable - Inovalis SA | *27* | **-** | 259 |
| VAT payable | | **1 255** | 2 430 |
| **Other payables** | | **2 347** | **2 904** |
| **Total trade and other payables** | | **8 668** | **7 356** |

## Note 16 – Provisions

As at December 31, 2024, the provisions includes €165 ($243) related to the Arcueil property. Following a court judgment in November of 2024, the €358 ($525) provision related to the Veronese property has been reversed. The REIT settled the case with a final payout agreed upon of €229 ($342). This amount has been recognized in trade and other payables as at December 31, 2024 and will be paid out in the first quarter of 2025.

## Note 17 – Trust units

***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 14 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2024, 392,892 Special Voting Units were issued and outstanding (2023 – 938,036).

***Distribution and Consolidation of Units***

On December 31, 2024, the REIT paid out a special distribution in Units which resulted in the issuance of 7,321,963 Units. Immediately following the special distribution, the outstanding Units of the REIT were consolidated such that the additional units issued were consolidated with the existing outstanding units. This resulted in each Unitholder holding the same number of Units after the consolidation as prior to the special distribution. Also see Note 23.

***Normal Course Issuer Bid***

On May 12, 2023, the Toronto Stock Exchange (the "TSX") approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 3,047,058 units, or approximately 10% of its public float as of May 12, 2023, until termination on May 24, 2024. In connection with the NCIB, the REIT entered into an automatic purchase plan for a broker to repurchase units under the plan. The number of units that could be purchased pursuant to the NCIB is subject to a current daily maximum of 23,274 units (which is equal to 25% of 93,099, being the average daily trading volume during the last six months), subject to the REIT's ability to make one block purchase of units per calendar week that exceeds such limits.

During the year-ended December 31, 2024, the REIT acquired Nil units under the NCIB plan. During the year ended December 31, 2023, the REIT acquired 206,100 units for $690 (of which broker fees of $6 are included) at a weighted average price of $3.32 per unit. All units repurchased during the year ended December 31, 2023, have been cancelled by the REIT. The share repurchases and cancellations during the year ended December 31, 2023, resulted in a reduction of Trust Units of $684 and an increase in retained earnings of $1,151 representing the difference between the book value of the units and the price at which the units were repurchased.

***Rights Plan***

On March 29, 2023, the Board of Trustees adopted a Unitholders' rights plan (the "Rights Plan"), subject to Unitholders ratification. The Rights Plan protects the REIT's Unitholders from unfair, abusive or coercive take-over strategies and to ensure that all Unitholders have an equal opportunity to participate in any future take -over bid, and to receive full and fair value for their units ("Units"). The Rights Plan took effect immediately and was ratified at the May 9, 2023, Annual General Meeting of Unitholders.

The rights become exercisable only when a person (including a related party and joint action of such person) acquires or announces its intention to acquire twenty (20%) or more of the outstanding Units without complying with the "permitted bid" provisions of the Rights Plan. Should a non-permitted acquisition occur, each right would entitle the holder of Units (other than the acquiring person and related persons and joint actors of such acquiring person) to purchase additional Units at a fifty (50%) percent discount to the market price at the time.

## Note 17 – Trust units (Cont'd)

The Rights Plan permits a "permitted bid", which is a take-over bid made to all Unitholders on identical terms and conditions that is open for acceptance for a period of at least 105 days. If at the end of the 105-day period at least 50% of the outstanding units (other than those owned by the offeror and related parties and joint actors of the offeror) have been tendered under the bid, the offeror may take up and pay for the tendered units but must extend the bid for a further 10 days to allow all Unitholders to tender to the bid. The Rights Plan is similar to other security holder rights plans adopted by other Canadian real estate investment trusts, income trusts and corporations.

### Transactions relating to trust units

**2024**

During the year ended December 31, 2024, the REIT issued 66,325 units as a result of the payments of Trustee Fees for $124 at a weighted average price of $1.87.

During the year ended December 31, 2024, the REIT converted 545,144 Exchangeable Securities in the amount $503 into 545,144 Units of the REIT (Note 14 - Exchangeable Securities).

**2023**

During the year ended December 31, 2023, the REIT issued 22,112 units as a result of the payments of Trustee Fees for $37 at a weighted average price of $1.67.

## Note 18 – Non-controlling interests

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the REIT. The amounts disclosed for each subsidiary are before inter-company eliminations.

| Summarised balance sheet | Cancorp Trio 1 | | Cancorp Trio 2 | | Cancorp Trio 3 | | SCI Metropolitain | | SCI Lenine Arcueil | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 |
| **Current assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 3 307 | 1 569 | 2 | 2 | 9 | 2 | 905 | 710 | 230 | 806 | 4 453 | 3 089 |
| Other current assets | 834 | 611 | 1 | 768 | 65 | 549 | 1 856 | 1 999 | 442 | 789 | 3 198 | 4 716 |
| **Total current assets** | **4 141** | **2 180** | **3** | **770** | **74** | **551** | **2 761** | **2 709** | **672** | **1 595** | **7 651** | **7 805** |
| **Non-current assets** | **13 352** | **21 554** | **9 920** | **14 099** | **11 490** | **17 484** | **92 317** | **96 700** | **71 485** | **101 622** | **198 564** | **251 459** |
| **Current liabilities** | | | | | | | | | | | | |
| Financial liabilities | 16 465 | 16 777 | 11 515 | 11 731 | 14 615 | 14 889 | 3 708 | 2 360 | 1 327 | 4 459 | 47 630 | 50 216 |
| Other current liabilities | 139 | 211 | 634 | 971 | 413 | 906 | 987 | 1 725 | 1 598 | 446 | 3 771 | 4 259 |
| **Total current liabilities** | **16 604** | **16 988** | **12 149** | **12 702** | **15 028** | **15 795** | **4 695** | **4 085** | **2 925** | **4 905** | **51 401** | **54 475** |
| **Non-current liabilities** | | | | | | | | | | | | |
| Financial liabilities | 28 | 28 | 79 | 77 | 82 | 81 | 50 753 | 52 261 | 45 832 | 44 783 | 96 774 | 97 230 |
| **Total non-current liabilities** | **28** | **28** | **79** | **77** | **82** | **81** | **50 753** | **52 261** | **45 832** | **44 783** | **96 774** | **97 230** |
| **Equity** | **861** | **6 718** | **(2 305)** | **2 090** | **(3 546)** | **2 159** | **39 630** | **43 063** | **23 400** | **53 529** | **58 040** | **107 559** |
| **Equity attribuable to non-controlling interest** | **5** | **306** | **(144)** | **79** | **(215)** | **75** | **398** | **433** | **23** | **54** | **67** | **947** |

| Summarised statement of comprehensive income | Cancorp Trio 1 | | Cancorp Trio 2 | | Cancorp Trio 3 | | SCI Metropolitain | | SCI Lenine Arcueil | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 | Dec 31, 2024 | Dec 31, 2023 |
| Net rental earnings | 1 898 | 1 745 | 1 171 | 1 283 | 1 143 | 1 017 | 5 099 | 4 412 | (1 837) | 6 426 | 7 474 | 14 883 |
| Administration expenses | (116) | (106) | (91) | (91) | (66) | (129) | (166) | (207) | (160) | (307) | (599) | (840) |
| Net change in fair value of investment properties | (6 520) | (2 764) | (4 706) | (2 009) | (5 820) | (2 722) | (5 256) | 672 | (32 120) | (8 566) | (54 422) | (15 389) |
| Net change in fair value of financial derivative | - | - | - | - | - | - | 22 | (1 801) | - | - | 22 | (1 801) |
| Finance income | - | - | - | - | - | - | - | (201) | - | - | - | (201) |
| Finance costs | (1 198) | (375) | (782) | (342) | (971) | (381) | (4 370) | (2 862) | 3 158 | (4 485) | (4 163) | (8 445) |
| Current income tax expense | (14) | (144) | (2) | (2) | (2) | (2) | - | - | - | - | (18) | (148) |
| **Profit (loss) for the year** | **(5 950)** | **(1 644)** | **(4 410)** | **(1 161)** | **(5 716)** | **(2 217)** | **(4 671)** | **13** | **(30 959)** | **(6 932)** | **(51 706)** | **(11 941)** |
| **Profit (loss) allocated to non-controlling interest** | **(303)** | **(84)** | **(225)** | **(59)** | **(292)** | **(113)** | **(47)** | **-** | **(31)** | **(7)** | **(898)** | **(263)** |

## Note 19 – Revenue

Revenue from investment properties consists of the following:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| Regular rents | **18 880** | 24 901 |
| Rent free periods (lease incentives) | **(241)** | (245) |
| **Rental income** | **18 639** | 24 656 |
| Property operating cost recoveries | **5 103** | 6 211 |
| **Total revenue** | **23 742** | **30 867** |

Other revenues include, in 2024, an amount of €140 ($207) related to an indemnity received by the REIT from a tenant in the Bad Homburg property for not leasing premises in their original conditions. In 2023, the indemnity received from Orange departing from the Arcueil property represented €1,590 ($2,316).

In both 2024 and 2023, one tenant accounted for more than 10% of rental income: Lorenz Bahlsen in the Trio property (13% in 2024 and 11% in 2023).

On December 31, the future minimum lease receivable under non-cancellable operating leases were as follows:

| | 2024 | 2023 |
|---|---|---|
| Within 1 year | **15 600** | 16 623 |
| After 1 year, but not more than 5 years | **28 630** | 31 308 |
| More than 5 years | **1 128** | 3 888 |
| **Future minimum lease receivable under non-cancellable operating leases** | **45 358** | **51 818** |

For the year ended December 31, the property operating cost recoveries were as follows:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| Property taxes | **1 569** | 2 393 |
| Insurance | **145** | 161 |
| Property management fees | **463** | 851 |
| Utilities and other cost recoveries | **2 926** | 2 806 |
| **Property operating cost recoveries** | **5 103** | **6 211** |

## Note 20 – Expenses

For the year ended December 31, property operating costs consist of the following:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| Property tax expenses | **(3 853)** | (3 765) |
| Insurance expenses | **(296)** | (238) |
| Property management fees | **(667)** | (985) |
| Utilities and other costs | **(5 337)** | (5 066) |
| **Total property operating costs** | **(10 153)** | **(10 054)** |

## Note 20 – Expenses (Cont'd)

For the year ended December 31, general and administrative expenses consist of the following:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| Asset management fees | **(1 931)** | (2 206) |
| Less : amount invoiced to joint ventures | **1 178** | 1 160 |
| | **(753)** | (1 046) |
| Professional fees for accounting, tax and audit | **(2 194)** | (2 489) |
| Legal expenses | **(739)** | (559) |
| Trustee fees | **(314)** | (300) |
| Travel expenses | **(319)** | (501) |
| Governance expenses | **(321)** | (363) |
| Bank and depositary fees | **(277)** | (335) |
| Listing, transfer agent and publication fees | **(148)** | (119) |
| Other general and administrative expenses | **(925)** | (693) |
| **Total general and admnsitrative expenses** | **(5 990)** | **(6 405)** |

The $925 Other general and administrative expenses included $103 related to fees for external valuation of the properties, $189 for external financial advisory and $218 non-recoverable VAT.

## Note 21 – Finance costs and finance income

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|
| Interest costs related to mortgage loans | **(4 407)** | (3 228) |
| Interest costs related to lease liabilities | **(5 031)** | (5 253) |
| Interest SWAP and CAP | **436** | 1 742 |
| Other finance costs | **(931)** | (30) |
| Amortization of transaction costs on mortgage loans | **(403)** | (243) |
| **Finance costs** | **(10 336)** | **(7 012)** |
| Finance income from joint venture loans | **2 827** | **2 721** |
| Other finance income | **455** | **1 328** |
| **Finance income** | **3 282** | **4 049** |

The 10,336 Finance costs included 2,876$ related to interest costs and 403$ of amortization of transaction costs on mortgage loans capitalized during the period.

## Note 22 – Income taxes

A reconciliation between the expected income taxes based upon statutory rates and the income tax expense recognized during the years ended December 31, is as follows:

| Income tax expense | 2024 | 2023 |
|---|---|---|
| Deferred income tax recovery applicable to corporate subsidiaries | **4 228** | 1 128 |
| Deferred tax expense related to unrecognized tax benefit | **(2 878)** | (571) |
| Current tax expense on proposed reassessments | **(34)** | (6) |
| Current tax expenses | **(54)** | (217) |
| Other | **(55)** | (6) |
| **Income tax recovery (expense)** | **1 207** | **328** |

The sources of deferred tax balances and movements are as follows:

| Deferred tax liability | December 31, 2023 | Net Income | Recognized in OCI | December 31, 2024 |
|---|---|---|---|---|
| Deferred tax liabilities related to difference in tax and book basis related to real estate, net | 1 295 | (1 313) | 18 | - |
| | **1 295** | **(1 313)** | **18** | **-** |

| Deferred tax liability | December 31, 2022 | Net Income | Recognized in OCI | December 31, 2023 |
|---|---|---|---|---|
| Deferred taxes related to non-capital losses | (216) | 216 | - | - |
| Deferred tax liabilities related to difference in tax and book basis related to real estate, net | 2 055 | (773) | 13 | 1 295 |
| | 1 839 | (557) | 13 | 1 295 |

As of December 31, 2024, the REIT has unused tax losses of €11,611 ($17,290) (December 31, 2023 - 9,229 ($13,486)) within its Luxembourg subsidiaries holding properties in Germany, for which a deferred tax asset has not been recognized. A deferred tax asset has not been recognized in respect of such losses as they may not be used to offset taxable profits elsewhere in the REIT, they have arisen in a loss-making subsidiary, and there are no other tax planning opportunities or other convincing evidence of recoverability in the near future. These losses can be carried forward indefinitely by the REIT.

As at December 31, 2024, the REIT has deductible temporary differences of €16,913 ($25,186) (December 31, 2023 - €8,640 ($12,635) for which a deferred tax asset has not been recognized. The deductible temporary differences relate to properties for which the tax basis exceeds the accounting basis.

The income tax payable balance of $2,238 (December 31, 2023 - $2,175) represents management's best estimate for the amount payable following a tax reassessment which is currently being disputed with the French tax authorities.

## Note 23 – Distributions

| | 2024 | 2023 |
|---|---|---|
| Amount payable at the beginning of the period | - | 1 133 |
| Declared and recognised during the period | **7 471** | 12 363 |
| Paid in additional units of the REIT | **(7 471)** | - |
| Paid in cash | - | (13 496) |
| **Amount payable at the end of the period** | - | - |

On December 31, 2024, the REIT announced a special non-cash distribution to unitholders of $0.225 per Unit, paid in additional units of the REIT. The total distribution of 7,321,963 units ($7,471) was paid to Unitholders of record as at December 31, 2024. The distribution served to distribute the taxable income realized by the REIT from transactions completed during the year-ended December 31, 2024. Immediately following the special distribution, the outstanding units of the REIT that were issued were consolidated, such that the total units outstanding after the consolidation was equal to the number outstanding prior to the special non-cash distribution.

The REIT has suspended regular monthly cash distributions to unitholders, beginning with the REIT's December 2023 distribution, which was to be paid to Unitholders in January 2024. The retained cash flow available as a result of the reduction in monthly distribution have been used by the REIT to fund redevelopment projects.

The REIT's Declaration of Trust endeavors to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. In addition, on December 31 of each year, having regard to the present intention of the trustees, the REIT intends to make payable to such unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non- capital losses recognized on or before the end of such year such that the REIT will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15.

Notwithstanding the REIT's distribution policy, the trustees retain full discretion with respect to timing and quantum of distributions if declared.

Distributions in respect of Exchangeable Securities are detailed in Note 14 – Exchangeable Securities.

## Note 24 – Accumulated other comprehensive income

| | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|
| Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities | **2 816** | 2 820 |
| Cumulative translation adjustment account | **12 850** | 8 672 |
| **Accumulated other comprehensive income** | **15 666** | **11 492** |

Change in cumulative translation adjustment account is $4,178 attributable to the Unitholders of the Trust of which $67 is attributable to minority interest.

## Note 25 – Risk arising from financial instruments

The REIT is exposed to market risk, credit risk and liquidity risk.

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.

**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. On December 31, 2024, after taking into consideration the effect of interest rate floor and interest rate cap, 26% of the REIT’s long-term debt obligations has no exposure to interest rate risk (2023 – 71%).

The following table illustrates the sensitivity of profit or loss and equity to reasonably possible change in interest rates. It was considered that any further decreases in the interest rates would be unlikely or insignificant given the low rates at the reporting period end. The calculations are based on a change in the average market rate for each period presented, and the leases held at the reporting date that was sensitive to changes in interest rates.

| | | As at December 31, 2024 | |
|---|---|---|---|
| **Interest rate sentivity** | **Net debt exposure** | **Impact on net income** | **Impact on comprehensive income** |
| | 122 712 | | |
| Reasonably possible increase in interest rates | | 50 basis points | 50 basis points |
| Annualized impact of an increase on net income and equity | | (614) | (614) |

| | | As at December 31, 2023 | |
|---|---|---|---|
| **Interest rate sentivity** | **Net debt exposure** | **Impact on net income** | **Impact on comprehensive income** |
| | 124 997 | | |
| Reasonably possible increase in interest rates | | 50 basis points | 50 basis points |
| Annualized impact of an increase on net income and equity | | (625) | (625) |

## Note 25 – Risk arising from financial instruments (Cont’d)

### Currency risk

| | | As at December 31, 2024 | | |
|---|---|---|---|---|
| | | Exposure to Euro | | |
| **Financial assets and liabilities denominated in foreign currencies** | | **Impacting Net Income** | **Impacting OCI** | **Total** |
| Monetary assets denominated in other than functional currency | | 196 | 51 360 | 51 556 |
| Monetary liabilities denominated in other than functional currency | | - | (222 598) | (222 598) |
| Net exposure in respect of monetary items denominated in other than functional currency | | 196 | (171 238) | (171 042) |
| Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$) | | - | - | - |
| Net exposure | | 196 | (171 238) | (171 042) |
| Impact on | % change | Net income | OCI | Total |
| Gain or loss in the event of an increase in the value of the Euro/CAD$ | 10% | 20 | (17 124) | (17 104) |
| Gain or loss in the event of an decrease in the value of the Euro/CAD$ | -10% | (20) | 17 124 | 17 104 |

| | | As at December 31, 2023 | | |
|---|---|---|---|---|
| | | Exposure to Euro | | |
| **Financial assets and liabilities denominated in foreign currencies** | | **Impacting Net Income** | **Impacting OCI** | **Total** |
| Monetary assets denominated in other than functional currency | | 2 749 | 55 145 | 57 894 |
| Monetary liabilities denominated in other than functional currency | | - | (231 319) | (231 319) |
| Net exposure in respect of monetary items denominated in other than functional currency | | 2 749 | (176 174) | (173 425) |
| Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$) | | - | (16 800) | (16 800) |
| Net exposure | | 2 749 | (192 974) | (190 225) |
| Impact on | % change | Net income | OCI | Total |
| Gain or loss in the event of an increase in the value of the Euro/CAD$ | 10% | 275 | (19 297) | (19 022) |
| Gain or loss in the event of an decrease in the value of the Euro/CAD$ | -10% | (275) | 19 297 | 19 022 |

The REIT operates in France, Germany and Spain, and the functional currency for these operations is the Euro. The REIT’s distributions have historically been paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders have historically been adversely impacted by currency variations. In order to ensure the predictability of distributions to its unitholders, the REIT has historically offset its foreign currency exposure from its foreign operations using foreign currency exchange contracts. The exchange rates relating to the REIT’s net investments were secured foreign currency forward contracts. Refer to Note 8 for a summary of the foreign exchange contracts in place.

During the year-ended December 31, 2024, in Q1 2024, the REIT negotiated cancellations of seven of its monthly foreign exchange forward contracts with Banque Palatine, as a result of its suspension of distribution (see Note 23). Each of the monthly contract cancellations represented a notional amount of $1,400 The cancellations resulted in a realized gain to the REIT of €306 ($454) which has been recognized in other finance income (see Note 21). In addition, in December 2024, the REIT negotiated cancellation and payment of its six foreign exchange forward contracts with Alpha Group. The cancellations resulted in a loss to the REIT of €438 ($649) which has been recognized in other finance costs (see Note 21).

During the year-ended December 31, 2023, the REIT negotiated cancellations of seven of its monthly foreign exchange forward contracts with Banque Palatine, as a result of its suspension of distribution (see Note 23). Each of the monthly contract cancellations represented a notional amount of $1,400. The cancellations resulted in a realized gain to the REIT of €206 ($301) which has been recognized in other finance income (see Note 21).

## Note 25 – Risk arising from financial instruments (Cont'd)

**Credit risk**

Credit risk is the risk that counterpart will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on December 31, 2024.

***Loans to joint ventures***

Credit risk relating to loans to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. The REIT monitors the debt service ability of the properties underlying the loans and the fair values thereof in order to assess for changes in credit risk.

***Accounts receivable***

Credit risk is managed by requiring tenants to pay rentals in advance. Also, in certain cases, deposits are obtained from tenants.

Accounts receivables are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Management has taken steps to ensure credit risk on tenants is mitigated, including obtaining bank guarantees from tenants that mitigate the risk of credit risk on outstanding balances. Management regularly reviews accounts receivable and monitors past due balances.

***Cash deposit and derivatives***

Credit risk on cash and derivative financial instruments is managed through selecting appropriate financial institutions. The REIT holds its cash deposits in bank accounts with a diversified group of large public financial institutions in France, Germany and Spain. Financial institutions are selected based on their quality of credit rating and their level of financial transparency. The REIT enters into its derivative financial contracts by utilizing large, public financial services firms or mid-sized, public financial services firms at which balances are backed by large, public financial services firms.

## Note 25 – Risk arising from financial instruments (Cont'd)

**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 there is a material uncertainty associated with this going concern assumption, as it requires the completion of the sale of the Sabliere property. See Note 4 for key judgements made by management in arriving at this conclusion.

Specifically, as at December 31, 2024, current liabilities for the REIT exceeded current assets by $58,680 (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. **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. Subsequent to the year end, on March 28, 2025, the REIT signed a binding agreement of purchase and sale for the Sabliere property. This contract reaffirms the buyer's unconditional commitment to the acquisition, supplements the non-refundable deposit and establishes a revised timeline for the final closing and payment, set for April 30, 2025. Upon disposition, the mortgage loan would be fully repaid.
B. **Trio Loan –** The Trio loan has been classified as current due to its upcoming maturity in Q1 of 2025. Subsequent to the year-end, on March 19, 2025, the senior lender on the Trio property, HCOB, confirmed a 6-month extension of financing and agreed on the timing for the €5,500 ($8,191) repayment in early April 2025, condition for the waiver of the second mortgage held by HCOB on the Bad Homburg property. This extension enables the REIT to start the sale process or, alternatively, find a refinancing opportunity.
C. **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 2021 and the $12 million repayment of the Baldi mortgage loan, the lender exposure is down to a 17% loan-to-value (supported by Q4 - 2024 external valuation report of $25,912). Given that all of the other terms of the Baldi loan have been met and based on 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.

## Note 25 – Risk arising from financial instruments (Cont'd)

**Liquidity risk (cont'd)**

The table below summarizes the maturities of the financial liabilities, and the lease liabilities based on contractual undiscounted payments. The undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts on the consolidated balance sheet, as the impact of discounting is not significant.

| As at December 31, 2024 | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Mortgage loans | 47 042 | 14 784 | 55 673 | - | **117 499** |
| Leases principal and interest | - | 8 794 | 67 235 | 41 993 | **118 022** |
| Interest-bearing loan | - | 83 | - | 189 | **272** |
| Exchangeable securities (value of securities plus interest on notes) | - | - | 385 | - | **385** |
| Tenant deposits | - | 139 | 1 773 | 571 | **2 483** |
| Trade and other payables | 1 512 | 5 901 | - | - | **7 413** |
| **Total** | **48 554** | **29 701** | **125 066** | **42 753** | **246 074** |

| As at December 31, 2023 | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Mortgage loans | 48 388 | 3 796 | 69 187 | - | **121 371** |
| Leases principal and interest | **3 110** | 9 330 | 68 732 | 46 731 | **127 903** |
| Interest-bearing loan | - | 28 | - | 186 | **214** |
| Exchangeable securities (value of securities plus interest on notes) | - | - | 1 595 | - | **1 595** |
| Tenant deposits | - | 168 | 962 | 1 262 | **2 392** |
| Derivative financial instruments | - | - | 110 | - | **110** |
| Trade and other payables | 4 378 | 569 | - | - | **4 947** |
| **Total** | **55 876** | **13 891** | **140 586** | **48 179** | **258 532** |

In accordance with IFRS, the Trust classifies the Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the units are considered a puttable financial instrument because of the holder's option to redeem units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 10-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees at their sole discretion.

## Note 25 – Risk arising from financial instruments (Cont'd)

### Classification of financial instruments

The following tables summarize the classification of the REIT's consolidated financial instruments as at December 31, 2024 and 2023:

As at December 31, 2024

| | Measured at Fair Value | | Measured at amortized cost | | |
|---|---|---|---|---|---|
| | **Derivatives at FVTPL** | **Designated at FVTPL** | **Financial assets** | **Financial liabilities** | **Total** |
| **Financial assets** | | | | | |
| Loans to joint ventures | | | 23 168 | | **23 168** |
| Derivative financial instruments | | | | | **0** |
| Trade receivables and other financial assets | | | 9 528 | | **9 528** |
| Restricted cash | | | 3 262 | | **3 262** |
| Cash | | | 6 249 | | **6 249** |
| **Total financial assets** | **-** | **-** | **42 207** | **-** | **42 207** |
| **Financial liabilities** | | | | | |
| Mortgage loans | | | | 114 449 | **114 449** |
| Tenant deposits | | | | 2 483 | **2 483** |
| Exchangeable securities | | 385 | | | **385** |
| Derivative financial instruments | | | | | **0** |
| Trade and other payables | | | | 7 412 | **7 412** |
| **Total financial liabilities** | **-** | **385** | **-** | **124 344** | **124 729** |

As at December 31, 2023

| | Measured at Fair Value | | Measured at amortized cost | | |
|---|---|---|---|---|---|
| | **Derivatives at FVTPL** | **Designated as FVTPL** | **Financial assets** | **Financial liabilities** | **Total** |
| **Financial assets** | | | | | |
| Loans to joint ventures | | | 24 896 | | **24 896** |
| Derivative financial instruments | 527 | | | | **527** |
| Trade and other financial assets | | | 7 134 | | **7 134** |
| Restricted cash | | | 5 169 | | **5 169** |
| Cash | | | 12 489 | | **12 489** |
| **Total financial assets** | **527** | **-** | **49 688** | **-** | **50 215** |
| **Financial liabilities** | | | | | |
| Mortgage loans | | | | 116 234 | **116 234** |
| Tenant deposits | | | | 2 392 | **2 392** |
| Exchangeable securities | | 1 595 | | | **1 595** |
| Derivative financial instruments | 487 | | | | **487** |
| Trade and other payables | | | | 5 712 | **5 712** |
| **Total financial liabilities** | **487** | **1 595** | **-** | **124 338** | **126 420** |

## Note 25 – Risk arising from financial instruments (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 consolidated financial statements and for which the carrying values are not reasonable approximations of their fair value:

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

| 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 |

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

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

- Mortgage loans are carried at amortized cost using the effective interest 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 December 31, 2024 and 2023.

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

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using December 31, 2024, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2024 of the mortgage loans has been estimated at $113,145 (December 31, 2023 – $113,897) compared with the carrying value before deferred financing costs of $114,449 (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.

## Note 25 – Risk arising from financial instruments (Cont'd)

**Fair value hierarchy**

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

| 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)** |

There were no transfers between any level during the years ended December 31, 2024, and 2023.

The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements, including Level 3 fair values.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is in Note 6 – Investment Properties. The gains or losses relating to the investment properties are recognized in the consolidated statement of earnings lines entitled "Net change in fair value of investment properties". The entire amount of gain or loss reported on this line in the reporting period is unrealized.

The following methods and assumptions were used to estimate the above-mentioned fair values:

- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one-to-one basis throughout their life at the request of the unit holders. Other features of the Exchangeable Securities have no significant impact on their fair value.

## Note 26 – 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 recognized as compensation expense for the same period. Upon cash settlement of a DSU the liability balance is reduced, and the fair value of the units is paid out in cash.

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 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 December 31, 2024 | As at December 31, 2023 |
|---|---|---|
| Outstanding at beginning of period | **58 595** | 39 398 |
| Elected DU | **70 222** | 29 913 |
| Exercised | **(66 325)** | (22 112) |
| ADUs earned | **92 125** | 6 140 |
| Forfeited | **2 623** | 5 256 |
| **Outstanding at end of period** | **157 240** | **58 595** |

As of December 31, 2024, 157,240 DSUs are outstanding and 42,760 DSUs are available for grant under the DSU Plan.

There were 66,325 DSUs exercised during the year ended December 31, 2024, which resulted in a decrease in the DSU plan liability by $75 (December 31, 2023 – $35).

For the year ended December 31, 2024, the REIT recorded an expense of $94 and an increase to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2024, was $67 and was included in Trade and other payables.

For the year ended December 31, 2023, the REIT recorded a recovery of $4 and a decrease to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2023, decreased by $49 was included in Trade and other payables.

## Note 27 – 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. Outstanding balances are usually settled in cash, except for management fees to Inovalis SA that were settled quarterly through the issuance of exchangeable securities until Q1 2018 (refer to Note 14 - Exchangeable Securities). The amended management agreement allows for the management fees can be settled quarterly through the issuance of either exchangeable securities or in cash. Since Q2 2018, the management fees were settled half in exchangeable securities and half in cash based on the REIT's projected cash requirements and following the approval of the Board of Trustees.

| Inovalis and its subsidiaries | Financial statement line item | Note | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Rental income | Rental income | | 9 | 7 |
| | | | **9** | **7** |
| **Expenses** | | | | |
| Asset management fees | Administration expenses | *A* | **(753)** | (1 046) |
| Facilities management fees | Service charge expenses | | **(272)** | (298) |
| Property management fees | Service charge expenses | *B* | **(667)** | (974) |
| Letting fees invoiced | Service charge expenses | | **(49)** | (69) |
| less portion accounted for over the lease term | Service charge expenses | | **(29)** | 64 |
| Expenses related to the distribution for exchangeable securities | Distributions on exchangeable securities | | **-** | (387) |
| Reimbursment of travel expenses | Administration expenses | | **(319)** | (501) |
| Trustee fees | Administration expenses | | **(314)** | (300) |
| | | | **(2 403)** | **(3 510)** |

*(A)* *Asset management fees of $1,931and $2,206 as at December 31, 2024, and December 31, 2023, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,178 and $1,160 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 (the "Property Management Fee") in an amount equal to 3.0% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants.*

## Note 27 – Transactions with related parties (Cont'd)

| Inovalis and its subsidiaries | Note | Due from (to) Inovalis SA<br>As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | *9* | **521** | 366 |
| | | **521** | **366** |
| **Liabilities** | | | |
| Interest-bearing loan | | **272** | 214 |
| Distributions payable | *14* | **(5)** | 237 |
| Exchangeable securities | *14* | **385** | 1 595 |
| | | **652** | **2 046** |

On March 27, 2023, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that became effective on April 1, 2023.

The following key terms of the management agreement were:

- **Term:** The extension is for two (2) years ending on March 31, 2026. The agreement may be renewed upon mutual agreement of the parties for an additional term of one (1) year.
- **Asset Management Fees:** Will be calculated as a percentage of Assets Under Management in accordance with the following scale:

| Assets Under Management | Annual Asset Management Fee |
|---|---|
| On the first $1.0 billion | 0.5% |
| From $1.0 billion to $2.0 billion | 0.4% |
| On $2.0 billion and over | 0.3% |

  The asset management fee will be further reduced by $500,000 once the REIT Finance Function Internalization is completed.
- **Disposition Fees:** Inovalis S.A. will receive a cash fee equal to (a) 1.0% of the gross proceeds resulting from any disposition of a property completed by Inovalis S.A or (b) 0.5% of Assets Under Management in the event of (i) a change of control of the REIT which results in a termination of the management agreement, (ii) a sale of all or substantially all of the assets of the REIT, or (iii) a sale or other disposition of CanCorpEurope S.A. In all cases, a disposition fee will only be payable to the extent that the net proceeds of any sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT. Furthermore, only one disposition fee shall be payable for each individual asset disposed of, and no disposition fee shall be payable on a change of control of the REIT to the extent that Inovalis S.A. takes any action to oppose the change of control.
- **G&A Budget:** The REIT and Inovalis S.A. will agree to a budget for general and administrative expenses on an annual basis (the "G&A Budgeted Amount"), with any additional proposed expenditures to be approved by the Audit Committee of the REIT. Inovalis S.A. will be obligated to reimburse the REIT for amounts in excess of the G&A Budgeted Amount based on a scale. In the event that the actual G&A expenses of the REIT are significantly less than the G&A Budgeted Amount, the REIT shall pay to Inovalis S.A. an additional fee based on the percentage of the savings in accordance with the following scale:

| Percentage of Excess under G&A Budgeted Amount | Percentage of Saved G&A to be paid by the REIT to Inovalis SA |
|---|---|
| 0% - 10% | Nil |
| 10% - 15% | 20% |
| 15% - 20% | 30% |
| 20% - 25% | 50% |
| 25%+ | 100% |

## Note 27 – Transactions with related parties (Cont'd)

- **Manager Reimbursement:** The Manager will reimburse the REIT for any general and administrative expenses in excess of the Annual G&A Budgeted Amount in accordance with the following scale:

| **Percentage of Excess over G&A Budgeted Amount** | **Percentage of Excess G&A to be reimbursed by Inovalis S.A. to the REIT** |
|---|---|
| 0% - 10% | Nil |
| 10% - 15% | 20% |
| 15% - 20% | 30% |
| 20% - 25% | 50% |
| 25%+ | 100% |

  Also, from January 1, 2021, until the completion of the REIT Finance Function Internalization, Inovalis S.A. will reimburse the REIT for 50% of all costs related to the REIT Finance Functions.
- **Change of Control:** Upon the occurrence of a change of control of the REIT, the Board of Trustees has the option to terminate the Management Agreement, exercisable within 90 days.

### Inovalis SA – Asset manager

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

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

### Joint ventures

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

| | Financial statement line item | For the year ended December 31, 2024 | For the year ended December 31, 2023 |
|---|---|---|---|
| Management fees invoiced to joint ventures | Administration expenses | **(1 178)** | (1 160) |
| Facilities management fees | Service charge expenses | **(55)** | (64) |
| Property management fees | Service charge expenses | **(224)** | (263) |
| Letting fees invoiced | Service charge expenses | **(95)** | (163) |
| less portion accounted for over the lease term | Service charge expenses | **(89)** | 116 |
| Finance income | Finance income | **2 827** | 2 721 |
| | | **1 186** | **1 187** |

Management fees invoiced to joint ventures include:

A. An annual asset management fee in the amount of 0.5% of assets under management

B. A leasing fee in an amount equal to (i) 10% of the first-year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first-year annual rent for leases by new tenants.

C. A construction management fee in respect of capital projects in an amount equal to 5% of all hard construction costs incurred on a project.

D. An acquisition fee in the amount of 1% of the purchase price of any property acquired (excluding of properties owned or managed by the Manager).

E. An annual property management fee in an amount equal to 3.0% of the gross revenue of the properties, unless otherwise stipulated in any tenant lease provided the Property Management Fee is fully recoverable by the landlord.

## Note 27 – Transactions with related parties (Cont'd)

| | | Due from joint ventures | |
|---|---|---|---|
| | **Financial statement line item** | **As at December 31, 2024** | **As at December 31, 2023** |
| **Assets** | | | |
| Loan receivable | Investments accounted for using the equity method | **23 168** | 24 897 |
| Interest receivables | Other financial assets - current | **5 639** | 3 515 |
| | | **28 807** | **28 412** |
| **Liabilities** | | | |
| Balance of sale payable | Trade and other payables | **249** | **161** |
| | | **249** | **161** |

For more information on joint ventures, please refer Note 7 – Investments in Joint Ventures

**Remuneration of key management personnel**

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

| | **2024** | **2023** |
|---|---|---|
| Wages, fees and other benefits | (314) | (300) |
| | **(314)** | **(300)** |

## Note 28 – Capital management

The REIT's objectives when managing capital is to safeguard the REIT's ability to provide returns for unitholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The REIT considers its capital to include its unitholders' equity, its mortgage loans, its lease liabilities, and the Exchangeable Securities.

The terms of the REIT's Declaration of Trust as amended at the special meeting of unitholders held January 20, 2016, stipulates that the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of the indebtedness, the total indebtedness of the REIT would be more than 60% of the REIT's Gross Book Value (GBV). These stipulated limits are taken into consideration principally when planning the financing of acquisitions and when preparing corporate plans and budgets.

As outlined below, the REIT is meeting this objective in that its total indebtedness was 59% of its GBV as at December 31, 2024 (2023 – 48%).

| | **2024** | **2023** |
|---|---|---|
| Investment properties | **327 789** | 412 967 |
| Investments in joint ventures | **37 047** | 41 632 |
| **Gross book value** | **364 836** | **454 599** |
| Mortgage loans - non-current | **53 961** | 65 710 |
| Lease liabilities - non-current | **95 752** | 96 179 |
| Mortgage loans - current | **60 488** | 50 524 |
| Lease liabilities - current | **5 035** | 6 819 |
| **Total indebtedness** | **215 236** | **219 232** |
| Total indebtedness as a % of gross book value | **59,0%** | 48,0% |

## Note 29 – Contingent liabilities and financial guarantees

**Commitments given**

Guarantees provided by the REIT with respect to its long-term debt include a preferential claim held by the mortgage lenders on the Sabliere, Baldi, Gaia, Delgado and Trio 1, 2, 3 properties in the amount of €111,911 ($166,658).

The REIT also has a share pledge on the shares of SCI Baldi.

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Sabliere and Gaia Nanterre also need to comply with banking covenants. The REIT is in breach of the debt service coverage ratio banking covenant on the mortgage loan held within SCI Baldi at December 31, 2024 and the interest coverage ratio banking covenant on the mortgage loan held within Gaia Nanterre (See Note 13). The REIT is in compliance with all other covenants as at December 31, 2024.

Second rank mortgages on the building were granted by the company SCI Sabliere. Finally, the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for €1,032 ($1,537).

Guarantees provided by the REIT with respect to its long-term debt on the joint venture companies include a preferential claim held by the mortgage lenders on Duisburg, Stuttgart, Isenburg and Koshing in the amount of €53,280 ($79,346) as per REIT's share portion.

**Tenant commitments received**

The companies SCI Metropolitain, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 received bank guarantees securing the rentals of certain tenants up to €1,601 ($2,385).

The five joint venture companies (Delizy, Duisburg, Stuttgart, Isenburg and Koshing) received bank guarantees securing the rentals of certain tenants up to €891 ($1,327), for the REIT's share portion.

## Note 30 – Geographical Information

| Total revenue by geographic region<br>For the years ended December 31, | Rental income<br>2024 | <br>2023 | Property operating cost recoveries<br>2024 | <br>2023 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| France | 10 815 | 15 664 | 3 591 | 4 491 | **14 406** | 20 155 |
| Germany | 5 393 | 6 047 | 868 | 1 720 | **6 261** | 7 767 |
| Spain | 2 431 | 2 945 | 644 | - | **3 075** | 2 945 |
| | **18 639** | **24 656** | **5 103** | **6 211** | **23 742** | **30 867** |

| Investment properties and investments in joint ventures by geographic region | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|
| France | **250 499** | 362 440 |
| Germany | **74 724** | 50 700 |
| Spain | **39 613** | 41 459 |
| | **364 836** | **454 599** |

## Note 31 – Cash flow information

| | *Note* | 2024 | 2023 |
|---|---|---|---|
| **Adjustments for non-cash items and other reconciling items:** | | | |
| Decrease in rent-free period | *6* | **318** | 443 |
| Net change in fair value of investment properties | *6* | **66 774** | 28 117 |
| Net change in fair value of financial derivatives | | **20** | 3 604 |
| Distributions recognized on exchangeable securities | *14* | **-** | 387 |
| Net change in fair value of exchangeable securities | | **(735)** | (1 941) |
| Finance income | *21* | **(3 282)** | (4 049) |
| Finance costs | *21* | **7 057** | 7 012 |
| Share of net loss from investments in joint venture | *7* | **3 181** | 10 761 |
| Impairment of loans to joint ventures | *7* | **2 729** | 3 223 |
| Foreign exchange gain | | **-** | (21) |
| | | **76 062** | **47 537** |
| **Working capital adjustments** | | | |
| Increase in trade and other receivables | | **2 213** | 1 643 |
| Increase (decrease) in tenant deposits | | **2** | (110) |
| Increase (decrease) in trade and other payables | | **42** | (10 195) |
| | | **2 257** | **(8 662)** |

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

| Liabilities | As at December 31, 2023 | Cash flows - repayment | Conversion of exchangeable securities into units | Foreign exchange movement | Fair value changes | As at December 31, 2024 |
|---|---|---|---|---|---|---|
| Exchangeable securities | 1 595 | - | (503) | 28 | (735) | **385** |
| Mortgage loans | 116 234 | (3 897) | - | 2 112 | - | **114 449** |
| Lease liabilities | 102 998 | (4 079) | - | 1 868 | - | **100 787** |

| Liabilities | As at December 31, 2022 | Cash flows - repayment | Foreign exchange movement | Fair value changes | As at December 31, 2023 |
|---|---|---|---|---|---|
| Exchangeable securities | 3 536 | - | - | (1 941) | **1 595** |
| Mortgage loans | 134 281 | (19 110) | 1 063 | - | **116 234** |
| Lease liabilities | 108 545 | (6 424) | 877 | - | **102 998** |

## Note 32 – Subsequent Events

***Sablière – Amendment to exchange contract***

Subsequent to the year end, on March 28, 2025, the REIT signed an amendment to the exchange contract from November 28, 2024 for the disposition of the Sabliere property. This contract reaffirms the buyer's unconditional commitment to the acquisition and establishes a revised timeline for the final closing and payment, set for April 30, 2025. In addition, the buyer transferred the remainder of its deposit onto the notary reserve account, now representing 10% of the sale price ($2,680), confirming its intention to close the sale transaction on the above mentioned date. The agreement includes a $2,680 indemnity (equivalent to 10% of the sale price) in the unlikely event that the buyer does not proceed. While this scenario is not anticipated, the indemnity provides the REIT with financial flexibility to identify an alternative buyer for this prime, nearly vacant property in downtown Paris, which holds strong redevelopment potential.

***Trio mortgage loan maturity***

Subsequent to the year-end, on March 19, 2025, the senior lender on the Trio property, HCOB, confirmed a 6-month extension for the loan outstanding and agreed on the timing for a €5,500 ($8,191) repayment in early April 2025, along with a waiver of the second mortgage held by HCOB on the Bad Homburg property.

The loan repayment would be funded by a €5,600 ($8,340) mezzanine loan on the Bad Homburg property, currently under finalization, to be formally granted beginning of April 2025. The 18-month mezzanine loan bears interest at 12% (6% paid quarterly and 6% at maturity). Management's objective is to refinance this loan with a traditional financing, depending on progress on the reletting strategy.

# Corporate information

# Head office

Inovalis REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

# Investor relations

E-mail: info@inovalis.com

Website: www.inovalisreit.com

# Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

# Distribution Reinvestment Plan

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

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