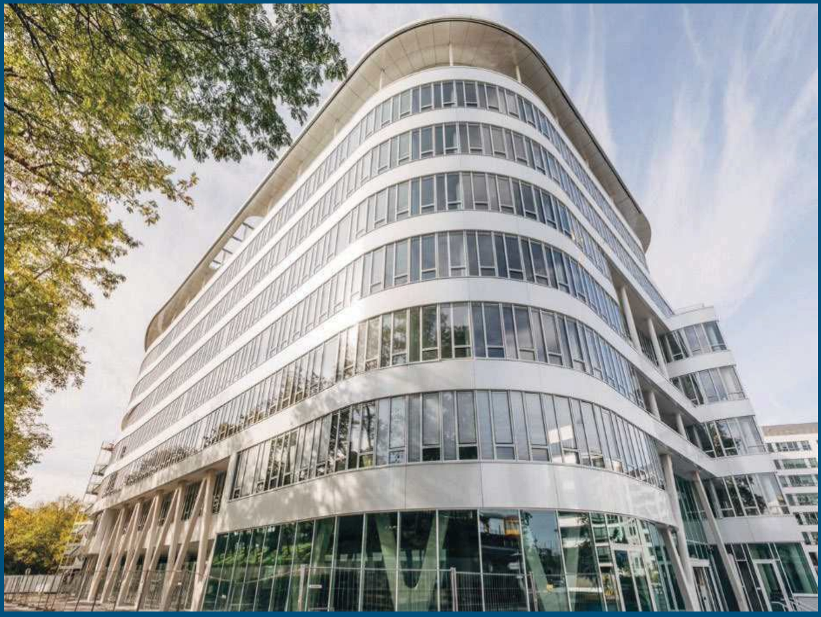
Management's Discussion & Analysis

For the years ended December 31, 2024 and 2023



Contents

All amounts in the MD&A (as defined herein) are presented in thousands of Canadian dollars or Euros, except rental rates, per unit amounts or as otherwise stated. Information contained in this MD&A is based on information available to management as of March 31, 2025.

Letter to Unitholders

We are pleased to share progress on our strategic initiatives. The pending sale of the Sablière property, scheduled to close in Q2, will generate $13 million in net cash, which we will use to pay down debt, fund capital expenditures, and support leasing and redevelopment efforts. As well, the conditional sale of 87.5% of the Arcueil property, announced in January, remains a key priority. The €37.5 million ($56.5 million) sale price reflects on a pro-rated basis an appraised value of €43.8 million ($65.2 million) of the entire asset and we expect it will take approximately 18 months to satisfy the necessary administrative, permitting, and financing conditions. 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% to reflect the risks due to the timing of the sale and conditions attached to the closing. Meanwhile, we are actively marketing the remaining 12.5% interest in the property.

The lingering effects of the COVID-19 pandemic, coupled with the widespread adoption of remote and hybrid work models, have reshaped office occupancy trends and placed sustained pressure on lease rates globally. While these challenges have fundamentally altered market dynamics, we have remained proactive in adapting to this evolving landscape.

We are taking a disciplined approach to capital allocation. We are selectively divesting non-core properties as part of our Asset Recycling Plan to generate liquidity and fund targeted capital improvement projects. This strategy not only strengthens our financial position but also enables us to reinvest in high-potential assets that can deliver sustainable growth. Managing cash flow in this environment remains a top priority, and we are committed to maintaining financial flexibility while balancing the necessary investments in our portfolio.

To position the REIT for long-term success, we are also strategically modernizing our properties and enhancing their appeal to today's office tenants. Office space investors are increasingly prioritizing well-located, flexible, and amenity-rich workspaces that foster collaboration and employee engagement. By divesting the portfolio of non-core properties and investing upgrades that align with these evolving tenants expectations, we are ensuring that our portfolio remains competitive in a shifting market.

Despite ongoing economic volatility, the European office market continues to show a mix of resilience and caution. Paris and Madrid remain relatively stable, with demand focused on high-quality, service-oriented office spaces, while Germany's office sector faces more persistent headwinds, though signs of stabilization are emerging. Across all markets, sustainability, adaptability, and strategic asset repositioning will be key drivers of long-term performance.

Executing our strategy to optimize the portfolio and unlock value has proven more complex than initially anticipated. Rising interest rates, geopolitical uncertainties, and fluctuating market conditions have made it challenging to secure optimal sale prices for certain assets and have extended the length of time it takes to close transactions. At the same time, identifying the right properties for sale while ensuring alignment with our long-term strategic objectives requires careful coordination and precise timing. While this process takes time, our approach remains focused on maximizing value for Unitholders.

We appreciate your continued trust and support as we navigate these challenges and position the REIT for future success.

Stephane Amine

President and Chief Executive Officer
Inovalis Real Estate Investment Trust

Q4 2024

Quarterly NRI	Annual NRI	Total Portfolio Annual NRI	Annual FFO/Unit
$4.7 Million	**$13.8 Million**	**$22.4 Million**	**$0.04**

Highlights

Net Rental Income

For the portfolio that includes assets owned entirely by the REIT ("IP Portfolio"), Net Rental Income (“NRI”) for Q4 2024 slightly increased to $4,732 (€3,193), compared to $4,084 (€2,798) NRI for Q4 2023 due to the net decrease in non-recoverable costs on the Arcueil and Baldi properties.

For the year ended December 31, 2024, the IP Portfolio NRI was $13,775 (€9,295), compared to $23,216 for the year 2023, the decrease being mostly attributable to vacancies in the Arcueil, Bad Homburg and Metropolitain properties and the depletion of the $2,316 Arcueil indemnity.

In Q4 2024, Net Rental Income, adjusted for IFRIC 21[1] for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was $5,833 (€3,935), compared to $5,201 (€3,563) for Q4 2023, an increase due to the same reasons described above with respect to the IP Portfolio.

Leasing Operations

As of December 31, 2024, the occupancy rate of the REIT’s IP Portfolio was 47.7% and the occupancy rate of the REIT's Total Portfolio was 59.3%. Strategic vacancies were created to prepare properties for redevelopment or disposition, as outlined in the Asset Recycling Plan (Arcueil, Sablière and Baldi). In addition, the main tenant of the Bad Homburg property vacated the premises in January 2024.

The Duisburg property has been repositioned into a multi tenant property with strong tenants, reducing its risk profile. Daimler’s break options on Stuttgart were waived and the facility agreement was extended until February 2026. The occupancy rate of the Total Portfolio excluding properties in the Asset Recycling Plan is 81.8%. An increase in interest from prospective tenants emerged in the second half of 2024 leading to lease agreements and positive discussions for early 2025.

To strengthen leasing efforts, particularly with on-field brokers, management is selectively considering tenant improvements to attract tenants and maximize rental income.

Asset Recycling Plan

Subsequent to the year end, on March 28, 2025, the REIT signed a binding agreement of purchase and sale of 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. A $2,680 indemnity (equivalent to 10% of the sale price) is now in place 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 prime, nearly vacant property with high redevelopment potential, in downtown Paris.

An exchange contract confirming the sale of 87.5% of the Arcueil property for €37.5 million ($56.5 million) was announced in January 2025 with closing expected in the second half of 2026. The long closing is required to satisfy the administrative, building permit and financing conditions. The remaining 12.5% of the Arcueil office property is being marketed for a new office tenant.

The Baldi property (Fair Value $25,912) is also being marketed for sale as part of the REIT's Asset Recycling Plan. The timing and price of the Baldi disposition will vary depending on whether the sale is subject to current building permit condition.

Upon the sale of these properties, the REIT will consider the best use of the proceeds including the options to pay down debt, invest capital to support leasing or redevelopment opportunities.

Refer to the "*Portfolio Overview - Asset Recycling Plan*" section of this MD&A for more detailed discussion.

Joint Venture ("JV") Arrangement Wind Up

Management has paused its previously announced commitment to wind up the current joint ventures due to the strategic prioritization of available funds to drive longer-term Unitholder value.

Capital Market Considerations

For the past twelve months, net asset values for the REITs Total Portfolio have been significantly pressured, primarily

1. Net rental income adjusted for IFRIC 21 is a Non-GAAP Measure. See the *"Net Rental Income"* section for further discussion on the composition and usefulness of this metric as well as a quantitative reconciliation to its most directly comparable financial measure. See the section *"Non-GAAP Financial measures and Other Measures"* for more information on the REIT's non-GAAP financial measures.

due to geopolitical tensions, high inflation, high interest rates and energy costs. The decrease in net asset values largely impacted Unitholders' equity that was $182,038 (€122,239) at December 31, 2024. The book value per Unit at December 31, 2024 was $5.58/Unit and $5.43/Unit on a fully-diluted basis, using the weighted average number of units of the REIT (the "Units") for the period. The closing price of a Unit on the TSX at December 31, 2024 was $0.98/Unit.

The REIT has addressed the volatile risks in the current capital markets by selling certain properties, implementing short term leasing initiatives for properties in the REIT's Asset Recycling Plan, maintaining a manageable debt-to-gross-book value ratio, currently 52.3% of the IP Portfolio (59.8% on the Total Portfolio).

Funds From Operations and Adjusted Funds From Operations

FFO per Unit of $0.02 and AFFO[1] per Unit of $0.01 were reported for Q4 2024, in line with our projection given the occupancy rate and increased cost of debt. Refer to the *"Financing Activity"* section below for details of the impact of finance costs on FFO and AFFO. The full year 2024 FFO per Unit was $0.04. Refer to the "*Non-GAAP Financial Measures and Other Measures*" section of this MD&A for a more detailed discussion on FFO and AFFO.

Financing Activity

The REIT is financed almost exclusively with asset-level, non-recourse financing with an average term to maturity of 2.6 years for the Total Portfolio (2.8 years for the IP Portfolio), considering short-term extensions granted in Q4 2024 on the three jointly held properties, Stuttgart, Kosching and Neu-Isenburg, on similar terms and maturing on March 31, 2026.

For the three-month period ended December 31, 2024, the weighted average interest rate across the Total Portfolio was 4.17% compared to 2.75% as at December 31, 2023. This increase is due to the higher interest rate on most of the REIT's mortgage loans, now bearing interest at a floating rate indexed on EURIBOR, reflecting the rise in interest overall in the market. As at December 31, 2024, 72% of the REIT's debt for the Total Portfolio were exposed to interest rate fluctuations, mostly on short term loans and within properties being marketed for sale.

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

The Trio loan repayment will be funded by a €5,600 ($8,340) mezzanine loan on the Bad Homburg property, scheduled to be in place in early April 2025. The 18-month mezzanine loan will bear annual interest at 12% (6% paid quarterly and 6% at maturity). Management's objective is to eventually refinance this loan with a conventional financing, depending on progress in the leasing strategy.

Special Non-Cash Distribution

The REIT declared a special non-cash distribution of $0.225 per Unit on December 31, 2024. The distribution totaling $7,471 was made to distribute to Unitholders, the taxable income realized by the REIT from transactions completed during the year. The distribution was paid in Units to Unitholders of record as at December 31, 2024. This transaction had no impact on the REIT's equity, as the new Units were immediately consolidated, resulting in the same number of Units outstanding as prior to the distribution. Refer to the "*Capital Management - Special Non-Cash Distribution* " section of this MD&A for more detailed discussion.

Environmental, Social and Governance (ESG)

Integration of ESG objectives and strategies into the REIT's business reflects the growing importance of these factors among many of our key stakeholders. The REIT is working to improve its long-term environmental performance, and also to invest in "human capital" for the implementation and monitoring of all ESG initiatives.

The Spanish property Delgado obtained the LEED Platinum certification in December 2024, reflecting management and tenants' efforts to improve the quality of this building.

In the German portfolio, the REIT concluded a green electricity procurement policy in 2024, in addition to the implementation of smart water-saving equipment and individual energy measurements tools.

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

Management's Discussions and Analysis

Basis of Presentation

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Inovalis Real Estate Investment Trust (the "REIT") should be read in conjunction with the REIT's audited consolidated financial statements as at and for the years ended December 31, 2024, and 2023, and the notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS").

Dollar amounts in this MD&A are presented in thousands of Canadian dollars and Euros, except rental rates, per unit amounts or as otherwise stated. Historical results, including trends which might appear in this MD&A, should not be taken as indicative of future operations or results. See "Forward-Looking Information" for further details. Information contained in this MD&A, including forward- looking information, is based on information available to management as of March 31, 2025. Additional information about Inovalis REIT has been filed with applicable Canadian securities regulatory authorities and is available at www.sedarplus.ca.

Forward-Looking Information

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

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

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

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

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

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

(iv) the REIT will retain and continue to attract qualified and knowledgeable personnel as the portfolio and business grow;

(v) the impact of the current economic and political climate and the current global financial conditions on operations, including the REIT's financing capability and asset value, will remain consistent with current expectations;

(vi) there will be no material changes to government and environmental regulations that could adversely affect operations;

(vii) conditions in the international and, in particular, the French, German, Spanish and other European real estate markets, including competition for acquisitions and the market for dispositions, will be consistent with past conditions; and

(viii) the demand for the REIT's properties and global supply chains and economic activity in general.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its asset recycling, growth and capital deployment strategies;
- the impact of changing conditions in the European office market;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand in the REIT's demographic markets;
- the political environment in the REIT’s demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the geopolitical conflicts around the world on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic conditions;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under *“Risk and Uncertainties"* in this MD&A.

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

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

Market and Industry Data

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

Business Overview and Strategy

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

The REIT's long-term objectives are to:

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

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

Foreign Currency Environment

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

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

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

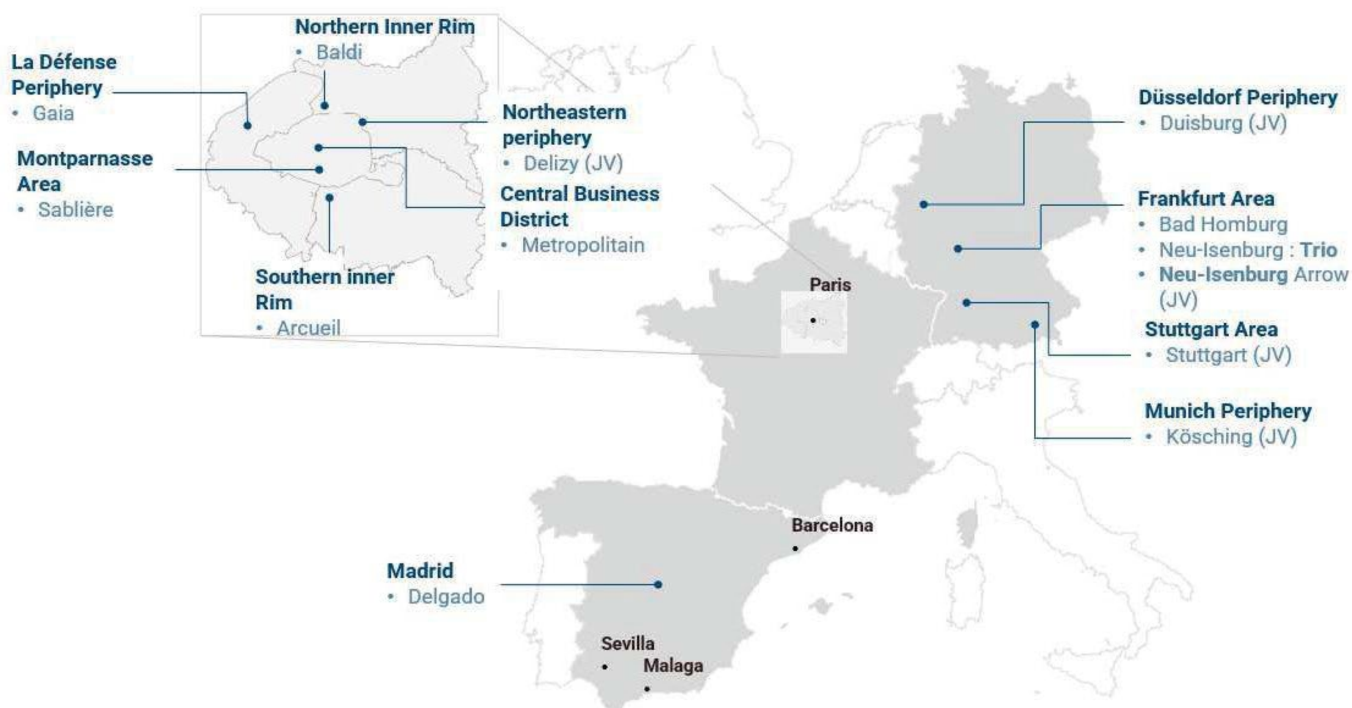
The exchange rate used throughout this MD&A for statement of earnings items is the average rate during the applicable period, which for the years ended December 31, 2024 and 2023 was $1.4820 and $1.4595 respectively (1.5% increase).

For balance sheet items as at December 31, 2024, projections, or market data, the exchange rate used is $1.4892, representing a 1.8% increase compared to the $1.4624 closing rate as at December 31, 2023.

Business Environment

The REIT owns varying interests in real estate entities which hold investment properties. Under IFRS, some of these interests are recorded as joint ventures in which the REIT holds equity. As at December 31, 2024, the REIT's property portfolio consists of ownership interest in eight properties that are consolidated and included in "Investment properties" ("IP") on the consolidated balance sheet, and partial ownership interests in five properties that are included within "Investments in joint ventures". As such, the results of these investments in joint ventures are not included in certain of our consolidated financial and operating metrics, unless specifically indicated that such metrics are presented on a "Total Portfolio" basis in which case such results are prepared on a proportionate share basis.

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



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

France

Office Market

In 2024, leasing in the Paris Region dropped by 11%, with the largest decrease in larger office spaces (over 5,000 sqm), which saw a 13% decline. The number of large office deals was down, with only 49 transactions for spaces larger than 5,000 sqm. Despite this, activity picked up toward the end of the year, highlighted by a notable deal in La Défense where SANOFI leased over 30,000 sqm.

The most sought-after area remains Paris Inner City, which accounted for 47% of office take-up in the region. However, the non-CBD (non-central business district) area also stood out with 13 large deals, including a major transaction of 40,000 sqm, helping stabilize demand in that sector.

There was strong demand in La Défense, especially due to the Sanofi deal, while other areas like the Western Crescent saw a decline in demand, particularly in Péri-Defense and the Southern River Bend. On the other hand, the Northern Inner Rim experienced a significant uptick in activity, with a 83% increase in take-up, fueled by 3 deals over 10,000 sqm.

Investment Market

Investment in office properties dropped by 29% in 2024, totaling $5 billion, a sharp decline from the average of $19.3 billion over the past five years. This decline was driven by a slow start to the year, with only $1.5 billion in investments in the first half, before a rebound in the second half with $3.5 billion invested. A total of 116 transactions took place, far fewer than the typical 227 deals seen annually in the last five years. Paris Inner City continued to dominate, accounting for over 75% of the total office investment.

Yields continued to rise across most markets, although the prime yield in Paris CBD slightly contracted to around 4%, a trend expected to persist into 2025.

Germany

Office Market

The German office markets ended a challenging year 2024 with a good letting performance overall, which was above the previous year's level despite the lack of economic momentum. At the turn of the year, there is little to suggest that the general conditions will improve sustainably in the coming months, as further economic and political developments - both nationally and internationally remain uncertain for now. Over the course of the year, office take-up increased from quarter to quarter, with Germany's main office locations of Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig and Munich recording total annual take-up of 2.66 million sqm which is 2% above the previous year's level, but clearly falls short of the long-term average of 3.45 million sqm. Although take-up in all office markets remains below average for the entire year, the market confirms the catch-up and stabilization trends observed since the summer.

With take-up of 606,000 sqm, Munich is not only the market with the highest take-up nationwide, but also the only office market to exceed the 600,000 sqm mark. Although the result is once again below the long-term average, very stable quarterly take-up figures with an overall upward trend contributed to an increase of almost 30% compared to the weak previous year. No other location has seen such a significant increase in take-up. In addition to higher take-up in the small and medium-sized space segment, major deals made the difference in Munich last year.

Positive indicators suggest that the German economy and the German office markets will be able to operate with more certainty and confidence as 2025 progresses, particularly in the second half of the year. The newly elected German government is expected to offer greater planning certainty and stimulate economic activity. The potential for disruptive policy shifts from the U.S. administration, although a continuing possibility, should also be more predictable and easier to assess. Inflation is likely to remain at the current low level and the central banks are likely to stick to their course of lowering key interest rates. As a result, financing conditions should improve, which should make it much easier for companies to invest in the future. At the same time, consumer sentiment should rise, fueled by low inflation and rising wages. Both are key factors that should help to revitalize the economic engine.

Investment Market

In 2024, the commercial investment market in Germany recorded a transaction volume of €33.3 billion. This corresponds to an increase of around 8% compared to the previous year. Overall, however, the transaction volume remained around 57% below the 5-year average of €77.2 billion. The office, retail and logistics segments in particular are benefiting from the sharp rise in yields since the turnaround in interest rates in 2022.

The growth in transaction volume was largely driven by numerous large transactions. Many of these deals were related to insolvencies, owner-occupier purchases, share deals or family offices with a strong equity base. In the 4th quarter of 2024, the strongest quarter of the year, almost €9 billion was transacted. In the first three quarters, the volume was between €7.8 billion and

€8.3 billion. In particular, large-volume transactions in the three-digit million range made a positive contribution to the overall balance. In total, there were 44 individual and portfolio transactions with a volume of over €100 million each, which corresponds to a share of around 45% of the total transaction volume. In the previous year, there were 33 of such transactions with a share of 35%. The largest single transaction in the 4th quarter was the sale of Therme Erding near Munich for approximately €566 million.

International investors are once again showing increased interest in the German market. At 41% and a volume of €13.8 billion, their share reached its highest level since 2022. Foreign buyers were particularly active in large-volume transactions over €100 million.

The full year 2024 was characterized by yield stability. Prime yields remained largely unchanged in the 4th quarter as well. Only first-class office properties saw a slight increase in the 2nd quarter. The average prime office yield for core properties in the Top-7 markets was 4.91% at the end of the year, which corresponds to an increase of 13 basis points compared to the previous year. The lowest yields were achieved in Munich and Berlin at 4.60% and 4.80% respectively, while Düsseldorf and Cologne recorded the highest values at 5.10% each. Prime yields for commercial properties in prime also remained at the previous year's level at 4.46%.

Spain

Office Market in Madrid

In 2024, demand for office space in Spain exceeded expectations, with Barcelona seeing a 16% increase and Madrid experiencing a 25% rise. This growth is mainly driven by the demand for sustainable, well-located offices, particularly from sectors like professional services and life sciences. These industries are expected to maintain stable demand into 2025.

Prime rents reached record highs in 2024, with Madrid's prime rents at $61/sqm/month and Barcelona's at $44.7/sqm/month. This rise is due to the limited supply of office space in prime locations, and rents are expected to remain under pressure in 2025, particularly in the most desirable areas.

Spanish office investment totaled $2,898 million in 2024, a 29% increase compared to 2023, driven by strategic deals in Madrid and Barcelona. Looking ahead, investment activity in 2025 is expected to exceed current levels, with a continued focus on repurposing office space for different uses.

Investment Market in Madrid

The Spanish office market saw a positive shift in 2024, with increased activity and stronger investor interest in the prime markets. After the cautious approach of 2023, companies focused on securing prime, high-quality office space, which helped drive the sector's recovery and set the stage for significant changes in 2025.

Prime yields in Madrid stabilized at 4.85% and 5.00% in Barcelona, influenced by the European Central Bank's interest rate cuts.

Spain's economy is forecasted to grow by 2.5% in 2025, leading growth among advanced economies. The economy strengthened in 2024 due to tourism and foreign investment, with inflation stabilizing at 2.2%. These positive economic indicators are expected to support the office market recovery in 2025.

Outlook

In the context of the prevailing macroeconomic and political challenges, the anticipated outlook for 2025 and 2026 entails these areas of focus:

- executing the Sabliere and Arcueil transactions;
- managing cash flow to maintain financial flexibility; and
- strategically modernizing our properties and enhancing their appeal to today's office tenants.

Portfolio Overview

The REIT's Total Portfolio by geographic region as at December 31, 2024 is as follows:

	%owned	Fair value	Bank debt	REIT's Total Portfolio Value	Gross Leaseable Area (GLA) (sq. ft.)	Contribution to Total Portfolio rental revenue	# of tenants	Occupancy rate	WALT (end of lease)	Financing maturity
Sabliere (1)	100%	26,061	12,721	5%	41,043	5%	6	54.2%	0.4	1.5
Baldi	100%	25,912	4,457	5%	123,657	4%	11	32.3%	2	3.1
Metropolitain	100%	97,960	53,628	21%	78,818	17%	5	84.4%	4.5	6.2
Arcueil	100%	54,997	47,159	12%	334,521	0%	0	0.0%	-	2.5
Gaia	100%	53,164	32,191	11%	119,499	14%	7	80.3%	4.2	2.2
Delizy (2)	50%	14,002	9,344	2%	71,618	4%	16	63.1%	3.4	4.7
Subtotal France		**272,096**	**159,500**	**56%**	**769,156**	**44%**	**45**	**35.1%**	**3.5**	**3.8**
Delgado	100%	39,613	22,495	8%	117,274	9%	2	100.0%	7.2	2.2
Trio	95%	37,677	42,584	8%	193,914	14%	7	78.6%	1.8	0.2
Bad Homburg	100%	18,466	none	4%	109,104	3%	5	35.4%	4.8	none
Duisburg (2)	50%	38,719	24,488	8%	110,210	10%	5	97.9%	4.8	2.2
Stuttgart (2)	50%	31,515	18,249	7%	121,416	9%	2	99.6%	4.5	1.2
Neu-Isenburg (2)	50%	21,635	16,062	5%	67,337	5%	6	80.4%	3.0	1.2
Kosching (2)	50%	16,858	9,699	4%	53,058	5%	1	100.0%	2.9	1.2
Subtotal Spain & Germany		**204,483**	**133,577**	**44%**	**772,313**	**56%**	**28**	**80.5%**	**4.2**	**1.2**
Total Portfolio		**476,579**	**293,077**	**100%**	**1,541,469**	**100%**	**73**	**59.3%**	**4.0**	**2.7**
IP Portfolio		**353,850**	**215,235**	**74%**	**1,117,830**	**66%**	**43**	**47.7%**	**4.0**	**3.0**
JV Portfolio		**122,729**	**77,842**	**26%**	**423,639**	**34%**	**30**	**90.0%**	**4.0**	**1.9**

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

General portfolio updates

- At the **Gaia property**, the vendor-backed rental guarantee that covered both a three-year vacancy, and the cost of rent-free periods has been depleted on schedule. The occupancy rate is at 80%, however two tenants representing 24% of this occupancy are in default of rent payments. The REIT has excluded these tenancies from the debt-service covenant ratio calculation ("DSCR") per the financing agreement. Thus, the DSCR covenant calculation as at December 31, 2024 showed a breach of covenant, triggering a cash-trap situation where distribution to shareholders are blocked and where the REIT is only entitled to pay bank debt and operating costs on the property. All available cash remaining must be allocated to a cash reserve. Leasing efforts are underway for the vacant space [and eviction proceedings are underway for the defaulting tenants.]

- At the **Trio property**, which has a 79% occupancy rate, brokers have been engaged on a retainer basis to market space that requires creative leasing strategies. Recent requests for lease extensions are being assessed for terms of reduced square footage. At the end of July 2024, the main tenant Lorenz Bahlsen, representing 13% of the IP Portfolio rental revenue and 9% of Total Portfolio rental revenue, confirmed its pending exit from the property at the end of 2025. As a consequence, the Q4 2024 external valuation report showed a 31% decrease in the value of the property (€11,400; $16,894) compared to December 2023. On June 12, 2024, the REIT extended the mortgage loan for one year until March 15, 2025 (after a $1,560 prepayment from the restricted capex cash reserve). Subsequent to the year-end, on March 19, 2025, HCOB, the senior lender of the Trio property, confirmed a 6-month financing extension and agreed on the timing for the €5,500 ($8,191) repayment in early April 2025. This loan satisfies a waiver condition for the second mortgage held by HCOB on the Bad Homburg property (see following paragraph).

- The **Bad Homburg property** was senior debt-free through the year 2024. To fund the €5,500 ($8,191) repayment of the Trio loan (see above), the REIT is raising a €5,600 ($8,340) mezzanine loan on the Bad Homburg property, scheduled to be in place in early April 2025. The 18-month mezzanine loan will bear annual interest at 12% (6% paid quarterly and 6% at maturity). Management's objective is to refinance this loan in due course with conventional financing, depending on progress with the leasing strategy. Several prospective tenants are interested in the property and selective capital expenditures to upgrade the lobby of this property are expected to take place in mid-2025.

- The **Delgado property** in Spain is fully leased to two blue-chip tenants on leases maturing respectively at the end of 2034 (extended in Q1'24 for 6 years) and in June 2029, providing a 7.2-year WALT (3.5 years including break options). In the spring of 2025, the REIT intends to waive the 2026 break option of one tenant, which is expected to increase the asset's value. In addition, the property capitalized on its strong environmental performance by obtaining the LEED Platinum certification in December 2024.

- At the **Duisburg property**, a retrofitted 39,725 sq.ft. premises were taken up on September 16 on a ten-year lease by a global logistics tenant, bringing the occupancy rate to 100% with a 4.8-year WALT. The conversion of this former single-tenant asset into a multi-let property with strong tenants has reduced risk to the REIT and strengthened its value.

- At the **Stuttgart property,** in Q3 2024, the REIT secured the waiver of two break options on the key tenant's (Daimler) lease agreement in 2027 and 2028, ensuring a WALT of 4.5 years. Daimler also expanded its footprint at this property by leasing 15,000 sq.ft. of additional area in Q2 2024. In October 2024, the REIT extended the in-place mortgage loan on this property until February 2026.

- At the **Neu-Isenburg property** the in-place mortgage loan was extended until February 2026. Negotiations are being held with a prospect tenant on most of the vacant areas that could allow a 94% occupancy rate.

Asset Recycling Plan

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 Q2 2025. The buyer has transferred the balance of the 10% deposit ($2,680) into the notary reserve account. Up to €150 ($222) of this deposit may be used to pay the eviction cost incurred by the REIT. The property was classified as Asset held for Sale on a dedicated line of the balance sheet as at December 31, 2024. The disposition will generate approximately $13,000 of cash that the REIT will consider the best use of, including the options to pay down debt, invest capital to support leasing or redevelopment opportunities. 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.

An exchange contract confirming the commitment to sell an 87.5% stake in the Arcueil property for €37.5 million ($56.5 million) was announced in January 2025 with closing expected in the second half of 2026. The long closing is required to satisfy the administrative, building permit and financing conditions. Management is assisting the purchaser in the administrative process of applying for building permits and zoning changes. Arcueil municipal authorities approved the redevelopment project, and building permit application approval and the re-zoning is expected to follow. The remaining 12.5% interest in the Arcueil office property is being marketed. Pursuant to these advanced negotiations and previous discussions with the senior lender, the debt amortization has been frozen from Q2 2024 to Q4 2025, representing the deferral of approximately $4,200 in annual mortgage capital.

For the Baldi property, the Plaine Commune (which manages zoning in this suburb) recently confirmed potential re-zoning as early as Q1 2026 allowing the conversion of the building into student housing, which could support the marketing of this asset. The REIT seeks to maximize exit value and attract investors that desire to buy a property with a building permit ready to be granted.

Tenant Profile

As at December 31, 2024, the REIT had 43 tenants across the IP Portfolio compared to 41 tenants as at December 31, 2023, and 73 tenants across the Total Portfolio (same as at December 31, 2023).

All lease contracts in France, Germany and Spain have rental indexation. In France, this is based on the Construction Costs Index (*Indice du Coot de la Construction* "ICC"), the average Tertiary Activities Rent Index (*Indice des Loyers des*

Activites Tertiaires "ILAT"). The Consumer Price Index – CPI, or the German or Spanish Consumer Price Index provides for rent indexation in those jurisdictions. Rent is increased annually to reflect the rising cost of living which protects returns to Unitholders.

Investment Property Portfolio

The following table shows the five largest tenants across the Investment Property Portfolio as at December 31, 2024. The tenant base is well diversified by industry segment, with many national and multinational tenants.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
The Lorenz Bahlsen Snack-World	Food and beverage	13%	86,501	7.7%	1.0
ITP Aero	Aeronautics	7%	59,159	5.3%	10.0
Indra	IT systems	7%	58,115	5.2%	4.4
Bureau Veritas	Consulting and Advisory	9%	38,998	3.5%	2.0
Time matters	Logistics	3%	25,549	2.3%	4.3
Top 5 tenants		**39%**	**268,322**	**24.0%**	**4.2**
Other tenants	Diversified	61%	264,745	23.7%	3.8
Total occupied space		**100%**	**533,066**	**47.7%**	**4.0**
Vacant			584,764	52.3%	
IP Portfolio			**1,117,830**	**100.0%**	

Total Portfolio

The following table shows the REIT's five largest tenants across the Total Portfolio at December 31, 2024, including interests that the REIT has in properties held in joint ventures.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
Daimler Truck	Manufacturer	9%	117,431	7.6%	4.4
The Lorenz Bahlsen Snack-World	Food and beverage	8%	86,501	5.6%	1.0
ITP Aero	Aeronautics	5%	59,159	3.8%	10.0
Indra	IT systems	5%	58,115	3.8%	4.4
Hitachi Power	Manufacturer	5%	54,354	3.5%	3.0
Top 5 tenants		**32%**	**375,560**	**24.3%**	**4.3**
Other tenants	Diversified	68%	541,104	35.0%	4.0
Total occupied space		**100%**	**916,664**	**59.3%**	**4.1**
Vacant			624,805	40.7%	
Total Portfolio			**1,541,469**	**100.0%**	

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

Occupancy and Leasing Activity

The change in occupancy and leasing activity in the IP Portfolio by geographic region for the year ended December 31, 2024 was as follows:

IP Portfolio	Occupied space (sq. ft.)							
	January 1, 2024	New leases	Lease Expiries	December 31, 2024	Occupancy rate	Committed space (sq. ft) (1)	Total occupied space (sq. ft)	Committed occupancy
France	235,991	13,294	(24,557)	224,728	32.2%	6,989	231,717	33.2%
Germany	251,235	5,935	(66,107)	191,063	63.1%	(8,231)	182,832	60.3%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total IP Portfolio	**604,500**	**19,229**	**(90,664)**	**533,065**	**47.7%**	**(1,242)**	**531,824**	**47.6%**

(1) Committed space represents the three new leases signed subsequent to year end at the Bad Homburg, Baldi and Metropolitain properties, offset by the space reduction agreed on an extended lease at the Trio property.

The change in occupancy and leasing activity in the Total Portfolio, including joint ventures at the REIT's proportionate ownership interest, by geographic region for the year ended December 31, 2024, was as follows:

Total Portfolio	Occupied space (sq. ft.)							
	January 1, 2024	New leases	Lease Expiries	December 31, 2024	Occupancy rate	Committed space (sq. ft) (1)	Total occupied space (sq. ft)	Committed occupancy
France	284,786	13,660	(28,498)	269,947	35.1%	6,989	276,936	36.0%
Germany	586,926	42,454	(102,233)	527,148	80.5%	(8,231)	518,917	79.2%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total Portfolio	**988,986**	**56,115**	**(130,731)**	**914,370**	**59.3%**	**(1,242)**	**913,129**	**59.2%**

(1) Committed space represents the three new leases signed subsequent to year end at the Bad Homburg, Baldi and Metropolitain properties, offset by the space reduction agreed on an extended lease at the Trio property.

New Leases Signed During the Quarter:

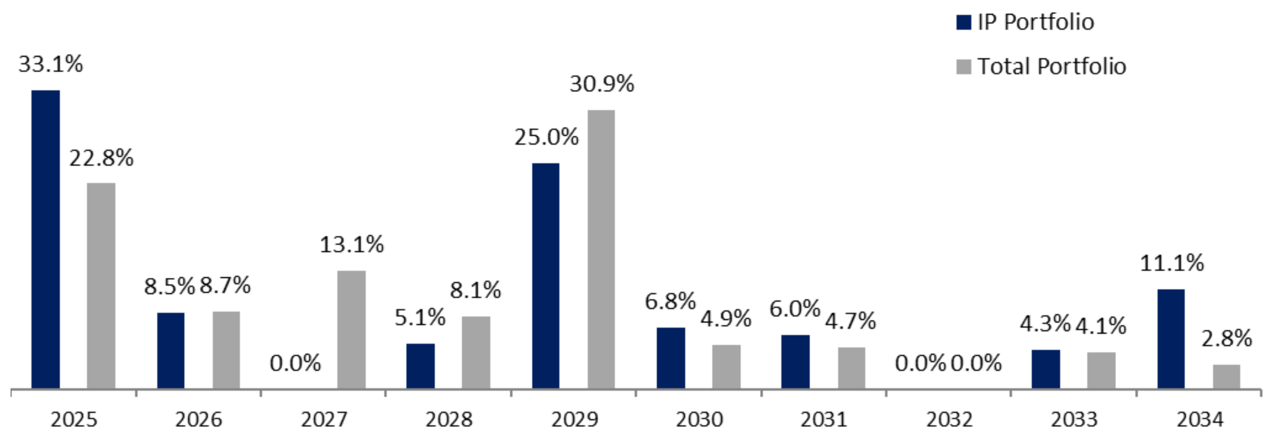
- At the Bad Homburg property, a new 5-year lease was signed on 5,900 sq.ft. (5% occupancy), the reflecting recovery of the leasing activity in this region.

- At the Baldi property, a short-term lease for 102 parking space was signed in Q4 2024, generating an additional $137 in rental income. In addition, subsequent to year-end, the same tenant leased 3,800 sq.ft. of vacant office space (also under on a short-term lease).

- Subsequent to the year end, a new lease was signed effective in March for 3,200 sq.ft. of vacant retail space on the ground floor of the Metropolitain building, representing 4% of the building area and $296 annual rental income.

Lease Maturities

Lease Maturity Profile
(in % of total GLA as at December 31, 2024)



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

The average remaining lease terms, not including tenant early termination rights, in the IP Portfolio and the Total Portfolio are 4.0 years. Assuming all tenants exercise their early termination rights and leave at the earliest possible date, which the REIT believes is unlikely, the average remaining lease term in the IP portfolio is 2.5 years (Total Portfolio 3.1 years).

The 2025 maturities relate mostly to the Trio property's anchor tenant, Lorenz Bahlsen which represents 13% of the IP portfolio rental revenue and 9% of the Total Portfolio rental revenue. In July 2024, the tenant confirmed its pending departure from the premises at the end of December 2025. The REIT is actively seeking to lease current and impending vacancies with the assistance of a locally based broker.

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

Discussion of Financial Performance

Non-GAAP Financial Measures and Other Measures

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

"**Accretive Acquisition**" means that the pro forma (post-deal) net income per Unit is forecast as higher than the REIT's (pre-deal) net income per Unit.

"**Adjusted Funds from Operations**" or "**AFFO**" is a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund expansion capital expenditures, fund property development, and provide distributions to Unitholders after considering costs associated with sustaining operating earnings.

AFFO calculations are reconciled to net income, which is the most directly comparable IFRS measure. AFFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

AFFO is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight-line rents, (ii) the cash effect of the rental guarantee received, (iii) amortization of fair value adjustment on assumed debt, (iv) capital expenditures, excluding those funded by a dedicated cash reserve or capex financing, and (v) amortization of transaction costs on mortgage loans.

"**Adjusted Funds from Operations I Unit**" or "**AFFO I Unit**" is AFFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**AFFO Payout Ratio**" is the value of declared distributions on Units, if any, and Exchangeable Securities, divided by AFFO.

"**Average term to maturity**" refers to the average number of years remaining in the lease term.

"**Book value per Unit**" refers to the REIT's total equity divided by the Weighted average number of Units and Exchangeable Securities (on a fully diluted basis).

“Debt-service covenant ratio calculation” or “DSCR“ refers to the rental income divided by the debt service, including interest and amortization.

"**Debt-to-Gross-Book Value**" refers to the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on an IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) other long-term liabilities, and (iv) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and at the joint venture level for the contribution from the REIT and its partners.

"**Exchangeable Securities**" means the exchangeable securities issued by CanCorpEurope, in the form of interest-bearing notes, non-interest bearing notes and variable share capital.

"**Fully diluted basis**" refers to a nominal value divided by the issued and outstanding Units, plus Exchangeable Securities.

"**Funds from Operations**" or "**FFO"** follows the definition prescribed by the Real Estate Property Association of Canada publication on Funds From Operations & Adjusted Funds From Operations, dated January 2023 with one exception pertaining to the unrealized gain or loss on the REIT's cash in Euros which are domiciled in Canadian financial institutions.

Management considers FFO to be a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund capital expenditures, and provide distributions to Unitholders.

FFO is reconciled to net income, which is the most directly comparable IFRS measure. FFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

FFO for the REIT is defined as net income in accordance with IFRS, subject to certain adjustments including adjustments for: (i) acquisition, eviction and disposal costs (if any), (ii) net change in fair value of investment properties, (iii) net change in fair value of derivative financial instruments at fair value through profit and loss, (iv) net changes in fair value of Exchangeable Securities, (v) finance costs related to distribution on Exchangeable Securities, (vi) adjustment for property taxes accounted for under IFRIC 21 (if any), (vii) loss on exercise of lease option (if any), (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation (if any), (ix) gain or loss on disposal of investment properties or an interest in a subsidiary (if any), (x) finance income earned from loans to joint ventures (if any), (xi) loss on extinguishment of loans (if any), (xii) deferred taxes, (xiii) non-controlling interest, (xiv) goodwill / bargain purchase gains upon acquisition, and (xv) income taxes on sale of investment properties and provision for tax reassessment.

Exchangeable Securities are recorded as liabilities. Exchangeable Securities are recorded at fair value through profit and loss in accordance with IFRS. However, both are considered as equity for the purposes of calculating FFO and AFFO, as they are economically equivalent to the Units, with the same features and distribution rights, that are economically equivalent to the distribution paid to Unitholders, if any.

"**Funds from Operations I Unit**" or "**FFO I Unit**" is FFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**Gross book value**" refers to the total consolidated assets for the IP Portfolio and Total Portfolio.

“**Interest Coverage Ratio**” or “**ICR**” covenant refers to a financial metric used to assess a REIT’s ability to meet its interest obligations on outstanding debt. It indicates how many times the operating profit can cover the REIT’s interest expenses over a given period.

"**Investments in Joint Ventures**" refers to the REIT's proportionate share of the financial position and results of operation of its investment in joint ventures, which are accounted for using the equity method under IFRS in the consolidated financial statements, are presented below using the proportionate consolidation method at the REIT's ownership percentage of the related investment. Management views this method as relevant in demonstrating the REIT's ability to manage the underlying economics of the related investments, including the financial performance and the extent to which the underlying assets are leveraged, which is an important component of risk management.

For the purpose of the proportionate consolidation, the initial investment of both partners in the joint ventures were considered as being equity investments as opposed to a combination of equity and loans and accordingly, the related proportionate consolidation balance sheet items were eliminated as well as the associated finance income and finance costs. As the loans to the joint ventures were considered equity for proportionate consolidation purposes, any impairment recorded on the loans in accordance with IFRS 9 has been reversed for MD&A purposes. As such, any impairment recorded for IFRS purposes results in a difference in equity when reconciling IFRS and proportionate consolidation reporting.

"**Investment Properties Portfolio**" or "**IP Portfolio**" refers to the eight wholly owned properties of the REIT.

"**Net Rental Income Adjusted for IFRIC 21**" refers to Net Rental Income excluding property taxes recorded under IFRIC 21 rules.

"**Net Rental Income**" or **“NRI”** refers to the rental income plus operating cost recoveries income plus other property revenue, less property operating costs and other costs.

"**Total Portfolio**" refers to the eight properties referred to as the IP Portfolio and the five properties of the REIT held in joint-ownership with other parties.

"**Weighted average lease term**" or "**WALT**" is a metric used to measure a property portfolio's risk of vacancy and refers to the average period in which all leases in a property or portfolio will expire. It is calculated as the sum of the percentages of rentable area multiplied by the number of years in each remaining lease term.

"**Weighted Average number of Units**" refers to the mean of periodic values in the number of issued and outstanding Units over a specific reporting period.

FFO and AFFO Calculation

The reconciliation of FFO and AFFO for the three- and twelve-month periods ended December 31, 2024 and 2023, based on proportionate consolidation figures including REIT's interest in joint ventures (see the "*Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements" section*), is as follows:

	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Net loss attributable to the Trust **(including share of net earnings from investments in joint ventures)**	(27,853)	(35,217)	(71,935)	(29,334)
Add/(Deduct):				
Net change in fair value of investment properties	31,625	39,575	76,901	44,701
Net change in fair value of financial derivatives	(669)	1,172	24	3,613
Adjustment for property taxes accounted for under IFRIC 21	(984)	(917)	-	-
Distributions on Exchangeable securities	-	110	-	387
Net change in fair value of Exchangeable securities	(181)	(1,225)	(735)	(1,941)
Foreign exchange gain	-	(21)	-	(22)
Deferred income tax recoveries	(877)	(2,720)	(2,103)	(2,552)
Non-controlling interest	(399)	(269)	(898)	(263)
FFO	**662**	**488**	**1,254**	**14,589**
Add/(Deduct):				
Non-cash effect of straight line rents	(219)	210	95	417
Cash effect of the rental guarantee	178	186	855	1,078
Amortization of transaction costs on mortgage loans	62	61	403	243
Capex	(326)	(533)	(2,494)	(1,680)
AFFO	**357**	**412**	**113**	**14,647**
FFO / Units (diluted) *($)*	**0.02**	**0.01**	**0.04**	**0.43**
AFFO / Units (diluted) *($)*	**0.01**	**0.01**	**0.00**	**0.44**

The annual FFO per Unit of $0.04 aligns with the current occupancy levels and the elevated borrowing costs in 2024.

Overview - GAAP and Non-GAAP

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

	December 31, 2024		December 31, 2023	
Operating metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Number of properties	8	13	8	13
Gross leasable area (sq. ft.)	1 117 830	1 541 469	1 117 830	1 540 218
Occupancy rate - end of period	47,7%	59,3%	54,1%	64,2%
Weighted average lease term	4,0 years	4,0 years	3,3 years	3,5 years
Average initial yield (1)	3,9%	4,7%	5,1%	5,3%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available cash (3)	$6 249	$7 572	$12 489	$15 290
Fair value of investment properties (3)	$353 850	$476 579	$412 967	$541 001
Debt-to-gross book value (2)	52,3%	59,8%	45,6%	52,1%
Debt-to-gross book value, net of cash (2)	51,5%	59,2%	44,2%	50,8%
Weighted average loan term to maturity	3,0 years	2,7 years	3,2 years	2,9 years
Weighted average interest rate (2)	4,00%	4,12%	2,62%	2,75%
Interest coverage ratio (2)	0,8 x	1,1 x	2,3 x	2,4 x

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

	Three months ended December 31,		Year ended December 31,	
(thousands of $ except per Unit and other data)	**2024**	**2023**	**2024**	**2023**
Financial performance metrics				
Rental revenue	5,258	4,788	18,639	24,656
Rental revenue - Total Portfolio (1)	7,546	6,827	27,059	32,704
Net rental income	4,732	4,084	13,775	23,216
Net rental income - Total Portfolio (1)	6,817	6,118	22,353	30,895
Net income, attributable to the Trust	(25,999)	(35,574)	(69,133)	(29,691)
Funds from Operations (FFO) (1) (2)	662	488	1,254	14,589
Adjusted Funds from Operations (AFFO) (1) (2)	357	412	113	14,647
FFO per Unit (diluted) (1) (2)	0.02	0.01	0.04	0.43
AFFO per Unit (diluted) (1) (2)	0.01	0.01	0.00	0.44
Distributions				
Declared distributions on Units and Exchangeable securities (3)	-	2,349	-	12,750
Declared distribution per Unit (3)	-	0.10	-	0.38
FFO payout ratio (1) (2)	-	481.4%	-	87.4%
AFFO payout ratio (1) (2)	-	570.3%	-	87.0%

(1) See the section *"Non-GAAP Financial Measures"* for more information on the REIT's non-GAAP financial measures and reconciliations thereof.
(2) The reconciliation of FFO and AFFO to Net Income can be found under the section *"Non-GAAP Reconciliation (FFO and AFFO)"*.
(3) Excluding the $0.225 special non-cash distribution per Unit declared on December 31, 2024 and paid by issuance of Units.

Consolidated Financial Information

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Rental revenue	5,258	4,788	18,639	24,656
Property operating cost recoveries	1,503	1,694	5,103	6,211
Property operating costs	(1,255)	(2,266)	(10,153)	(10,054)
Other revenues	(813)	56	367	2,699
Other property operating expenses (income)	39	(188)	(181)	(296)
Net rental income	**4,732**	**4,084**	**13,775**	**23,216**
General and Administration expenses	(1,388)	(1,771)	(5,990)	(6,405)
Foreign exchange gain	-	21	-	21
Share of net loss from joint ventures	(2,080)	(10,307)	(5,910)	(13,984)
Operating earnings	**1,264**	**(7,973)**	**1,875**	**2,848**
Net change in fair value of investment properties	(26,914)	(28,011)	(66,774)	(28,117)
Net change in fair value of financial derivatives	671	(1,167)	(20)	(3,604)
Net change in fair value of Exchangeable securities	181	1,225	735	1,941
Finance income	718	(102)	3,282	4,049
Finance costs	(2,829)	(859)	(10,336)	(7,012)
Distributions on Exchangeable securities	-	(110)	-	(387)
Loss before income taxes	**(26,909)**	**(36,997)**	**(71,238)**	**(30,282)**
Current income tax recovery (expense)	27	(175)	(106)	(229)
Deferred income tax recovery	484	1,329	1,313	557
Total income tax recovery	**511**	**1,154**	**1,207**	**328**
Net loss	**(26,398)**	**(35,843)**	**(70,031)**	**(29,954)**
Non-controlling interest	(399)	(269)	(898)	(263)
Net loss attributable to the Trust	**(25,999)**	**(35,574)**	**(69,133)**	**(29,691)**

Net Rental Income

For the IP Portfolio, Net Rental Income ("NRI") for Q4 2024 slightly increased to $4,732 (€3,193), compared to the $4,084 (€2,798) NRI for Q4 2023, notably caused by a reduction in the non-recoverable costs, notably on the Arcueil and Baldi properties.

For the year ended December 31, 2024, the IP Portfolio NRI was $13,775 (€9,295), compared to $23,216 for the year 2023, the drop being mostly attributable to the decrease in the occupancy rate resulting from the tenant departures at the Arcueil property end of June 2023, partially offset by the $2,316 indemnity, and the above-mentioned factors.

In accordance with IFRIC 21, the annual property taxes for the REIT's properties located in France are expensed in full in the first quarter of the fiscal year. Realty tax expenses for the year are approximately $3,520. These taxes are paid in the fourth quarter. This results in a reduction to Net Rental Income in the first quarter of each year with relatively higher Net Rental Income in the subsequent three quarters.

The impact of IFRIC 21 on Net Rental Income for the three and twelve months ended December 31, 2024 and 2023 is set out below.

In thousands of $	Three months ended December 31, 2024	2023	Variance	Year ended December 31, 2024	2023	Variance
Net rental income	4,732	4,084	648	13,775	23,216	(9,441)
IFRIC 21 impact	(881)	(815)	(66)	-	-	-
Adjusted net rental income - IFRIC 21 (1)	3,851	3,269	582	13,775	23,216	(9,441)

In thousands of Euros	Three months ended December 31, 2024	2023	Variance	Year ended December 31, 2024	2023	Variance
Net rental income	3,193	2,798	395	9,295	15,907	(6,612)
IFRIC 21 impact	(595)	(559)	(36)	-	-	-
Adjusted net rental income - IFRIC 21 (1)	2,598	2,240	359	9,295	15,907	(6,612)

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

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

In thousands of $	Three months ended December 31, 2024	2023	Variance	Year ended December 31, 2024	2023	Variance
Net rental income	4,732	4,084	648	13,775	23,216	(9,441)
Net rental income - proportionate share of JVs	2,085	2,034	51	8,578	7,679	899
IFRIC 21 impact	(984)	(917)	(67)	-	-	-
Adjusted net rental income - IFRIC 21 - including proportionate share of JVs (1)	5,833	5,201	632	22,353	30,895	(8,542)

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

General and Administrative Expenses

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

G&A expenses for Q4 2024 ($1,388) and the fiscal year ended December 31, 2024 ($5,990) reflected a significant decrease of ($415), primarily driven by a reduction in asset management fees (-$293). This decrease was attributable to a lower portfolio valuation, impacted by cap rate expansion and declining occupancy rates throughout the year.

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

	Three months ended December 31,			Year ended December 31,		
	2024	2023	Variance	2024	2023	Variance
Asset management fees – Inovalis SA	(464)	(557)	93	(1,931)	(2,206)	275
Less: amount reinvoiced to joint ventures	297	291	6	1,178	1,160	18
	(167)	**(266)**	**99**	**(753)**	**(1,046)**	**293**
Professional fees for accounting. tax and audit	(599)	(658)	59	(2,194)	(2,489)	295
Legal expenses	(105)	(196)	91	(739)	(559)	(180)
Trustee fees	(86)	(48)	(38)	(314)	(300)	(14)
Travel expenses	(50)	(171)	121	(319)	(501)	182
Governance expenses	(74)	(50)	(24)	(321)	(363)	42
Bank and depositary expenses	(58)	(68)	10	(277)	(335)	58
Listing, transfer agent and publication fees	(13)	(54)	41	(148)	(119)	(29)
Other general and administrative expenses	(236)	(260)	24	(925)	(693)	(232)
Total G&A expenses	**(1,388)**	**(1,771)**	**383**	**(5,990)**	**(6,405)**	**415**

Share of Net Income from Joint Ventures

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

The share of net loss from joint ventures for Q4 2024 and for the year ended December 31, 2024 was $2,080 and $5,910 respectively. This decline was primarily driven by a reduction in property fair values, as reflected in independent appraisals conducted in Q4 2024, which confirmed ongoing capitalization rate expansion since Q2 2023. The joint venture portfolio experienced a 6% decline in value in 2024, following an 11% reduction in 2023.

Net Change in Fair Value of IP Portfolio

For the same reason described above on the JV portfolio, the net change in fair value in IP portfolio for the three and twelve-month periods ended December 31, 2024 were (-$26,914) and (-$6,774) respectively, compared to approximately (-$28,000) for both the three months and year ended December 2023.

In Q4 2024, the fair value of the Arcueil property was reduced by $10,077 (€6,800) to reflect the terms of the signed exchange contract, executed in December 2024. The anticipated sale proceeds of $65,267, net of operating costs (including land taxes) payable before the transaction closes in the second half of 2026, have been discounted to account for associated closing risks. A 1% sensitivity to the risk premium equates to an approximate $800 impact on fair value. As of December 31, 2024, the fair value of the Arcueil property stands at €38,200 ($54,997), with a year-over-year decline of $32,167 (€21,600).

Another significant decline in value during 2024 was recorded for the Trio property, which depreciated by 31% or $16,976 (€11,400), primarily due to the recently confirmed departure of its main tenant at the end of 2025.

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

Net Change in Fair Value of Exchangeable Securities

Exchangeable Securities are recorded at fair value based on the market price of the Units. They are reflected as a liability on the REIT's consolidated balance sheet, and therefore a decrease of the REIT's Unit price reduces the value of the liability. The closing price of a REIT Unit on the Toronto Stock Exchange was $0.98 on December 31, 2024, compared to $1.70 at close of December 31, 2023, resulting in a small gain of $735 in the net change in fair value of Exchangeable Securities for the year 2024.

Finance Income

In Q4 2024, finance income was primarily $718 in interest on loans granted to joint ventures. For the year ended December 31, 2024, finance income of $3,282 included $2,827 interest on joint venture loans and $455 in realized income from the sale in Q1 2024 of forward currency exchange contracts, previously utilized to hedge the foreign exchange impact on distributions to Unitholders.

Finance Costs

The $2,829 finance costs in Q4 2024 included $2,523 in interest on mortgage loans and lease liabilities (compared to $2,223 for Q4 2023), reflecting the impact of rising borrowing costs on unhedged financing contracts. In Q4 2023 the $859 finance costs were impacted by $1,365 reclassification of income on the interest rate swap on mortgage loans and lease liabilities.

For the year ended December 31, 2024, finance costs were $10,336 compared to $7,012 for the year 2023, including $9,438 in interest on mortgage and lease liabilities ($8,481 in 2023), reflecting the increase in borrowing costs and the penalty incurred on the Trio mortgage during its renegotiation between March to June 2024.

Distributions on Exchangeable Securities

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

Selected Three-Year Information

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

	For the year ended December 31,				
	2024	**2023**	**2022**	**2024 vs. 2023**	**2023 vs. 2022**
Rental revenue	18,639	24,656	25,377	(6,017)	(721)
Net change in fair value of investment properties	(66,774)	(28,117)	(58,393)	(38,657)	30,276
Finance costs	(10,336)	(7,012)	6,705	(3,324)	(13,717)
Net loss	(70,031)	(29,954)	(36,977)	(40,077)	7,023
Net loss attributable to the Trust	(69,133)	(29,691)	(36,854)	(39,442)	7,163

Consolidated Balance Sheet

Assets	As at December 31, 2024	As at December 31, 2023	Variance
Non-current assets			
Investment properties	327,789	412,967	(85,178)
Investments in joint ventures	37,047	41,632	(4,585)
Other financial assets	407	3,333	(2,926)
Restricted cash	1,611	4,973	(3,362)
Total non-current assets	**366,854**	**462,905**	**(96,051)**
Current assets			
Trade receivables and other financial assets	9,528	7,134	2,394
Derivative financial instruments	-	527	(527)
Other current assets	1,873	3,809	(1,936)
Restricted cash	1,651	196	1,455
Cash	6,249	12,489	(6,240)
Total current assets	**19,301**	**24,155**	**(4,854)**
Asset held for sale	26,061	-	26,061
Total assets	**412,216**	**487,060**	**(74,844)**

Liabilities and Unitholders' equity	As at December 31, 2024	As at December 31, 2023	Variance
Liabilities			
Non-current liabilities			
Interest-bearing loan	189	186	3
Mortgage loans	53,961	65,710	(11,749)
Lease liabilities	95,752	96,179	(427)
Tenant deposits	2,228	2,224	4
Derivative financial instruments	-	110	(110)
Deferred tax liabilities	-	1,295	(1,295)
Total non-current liabilities	**152,130**	**165,704**	**(13,574)**
Current liabilities			
Interest-bearing loan	83	28	55
Mortgage loans	60,488	50,524	9,964
Lease liabilities	5,035	6,819	(1,784)
Tenant deposits	255	168	87
Exchangeable securities	385	1,595	(1,210)
Derivative financial instruments	-	377	(377)
Trade and other payables	8,668	7,356	1,312
Provisions	243	765	(522)
Income tax payable	2,238	2,175	63
Deferred income	586	1,184	(598)
Total current liabilities	**77,981**	**70,991**	**6,990**
Total liabilities	**230,111**	**236,695**	**(6,584)**
Equity			
Trust units	296,206	288,156	8,050
Retained earnings	(129,834)	(53,230)	(76,604)
Accumulated other comprehensive income	15,666	11,492	4,174
Total Equity	**182,038**	**246,418**	**(64,380)**
Non-controlling interest	67	947	(880)
Total liabilities and equity	**412,216**	**484,060**	**(71,844)**

Selected Consolidated Balance Sheet Information

	For the year ended				
	Dec 31, 2024	Dec. 31, 2023	Dec. 31, 2022	2024 vs. 2023	2023 vs. 2022
Fair value of investment properties - IP Portfolio (1)	353,850	412,967	437,422	(59,117)	(24,455)
Fair value of investment properties - Total Portfolio (1)	476,579	541,001	579,623	(64,422)	(38,622)
Investment in joint ventures - carrying value	37,047	41,632	55,693	(4,585)	(14,061)
Total assets	412,216	484,060	561,107	(71,844)	(77,047)
Total debt (2)	215,508	219,446	243,093	(3,938)	(23,647)
Total non-current liabilities	152,130	165,704	202,826	(13,574)	(37,122)
Unitholders' equity	182,038	246,418	286,979	(64,380)	(40,561)
Number of outstanding Units	33,206,180	32,594,711	32,778,699	611,469	(183,988)

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

IP Portfolio

The fair value of the REIT's IP Portfolio as at December 31, 2024 was $327,789 (€220,111), a decrease compared to $412,967 (€282,387) as at December 31, 2023, mostly attributable to changes for the Arcueil property (by $32,167 to reflect, on a prorated basis, the discounted sale price of the exchange contract for 87,5% of the property signed in December 2024), and Trio ($16,977 to reflect the pending departure of the main tenant in December 2025). In addition, the $26,061 fair value of the Sablière property was classified on a separate line "Asset Held for Sale" on the balance sheet in accordance with the plans to sell the property as at December 31, 2024 and confirmed by the binding agreement of purchase and sale signed on March 28, 2025. 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.

Management uses the Direct Capitalization Method ("DCM") to determine the fair value of all the REIT's properties in France, Germany and Spain. The values are supported by external appraisals of the Total Portfolio as at December 31, 2024, performed in conformity with the requirements of the Royal Institution of Chartered Surveyors Standards, and for the French properties, in conformity with the Charte de l'expertise immobiliere, as well as European Valuation Standards of TEGoVA (the European Group of Valuers' Association) and IFRS 13 Fair Value Measurement. For the Arcueil property, the value is determined based on the condition of the exchange contract signed in December 2024, at a discount rate of 6.68% reflecting the risk associated with this long-term sale (second half of 2026).

Investments in Joint Ventures

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

- the Duisburg property (50%), through a joint venture agreement maturing in March 2027 (in line with the current facility agreement);
- the Stuttgart property (50%), through a joint venture agreement maturing in February 2026 correlated with the senior financing that was extended in October 2024;
- the Delizy property (50%), through a joint venture agreement maturing in 2029, correlated with the lease liability contract with the senior bank;
- the Neu-Isenburg property (50%), through a joint venture agreement maturing in February 2026, correlated with the facility agreement. Similar to Stuttgart, Management extended the debt maturity in October 2024; and
- the Kosching property (50%), through a joint venture agreement maturing in February 2026, correlated with the financing debt. An extension of the debt maturity was signed in October 2024.

Refer to the section "*Portfolio Overview – General Portfolio Updates"* for details of the REIT's plans for these properties.

The REIT's investment in joint ventures was $37,047 as at December 31, 2024 reflecting a decrease from $41,632 as of December 31, 2023. This decline was primarily driven by a $3,181 share of net loss resulting from a reduction in the fair value of properties, in line with ongoing capitalization rate decompression and prevailing real estate market conditions.

In addition, an impairment charge of $2,729 was recognized on the Delizy loan. In 2024, additional loans from joint ventures of €420 ($626) occurred for Kosching and additional loans to joint ventures in the amount of €320 ($477) occurred for Isenburg and €100 ($149) for Stuttgart.

Trade Receivables and Other Financial Assets

Trade receivables and other financial assets as at December 31, 2024 amounted to $9,528, compared to $7,134 at December 31, 2023. The variance is mostly attributable to $5,639 of interests receivables on joint venture loans, an increase of $2,124 compared to December 31, 2023, while interest payments have been deferred on most joint venture properties as largest part of the cashflow is allocated to new financing terms (amortization or cash reserve payments) or to tenant incentives for reletting.

Trade and Other Payables

As of December 31, 2024, trade and other payables totaled $8,667, compared to $7,356 as of December 31, 2023. The land tax on the Arcueil property ($1,149), which was due in October 2024, remained unpaid at year-end and is forecasted to be settled using proceeds from the Sablière sale. A request for a waiver of this tax, given the building's complete vacancy, is currently under review by the tax administration.

Capital Management

Sources of Capital

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

Capital Management Metrics

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

	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Capital management metrics				
Debt-to-gross book value	52.3%	45.6%	59.8%	52.0%
Debt-to-gross book value, net of cash	51.5%	44.2%	59.2%	50.7%
Debt due in the next 12 months (1)	65,523	57,343	66,192	102,379
Weighted average loan term to maturity	3.0 years	3.2 years	2.7 years	2.9 years
Weighted average interest rate (1)	4.00%	2.62%	4.12%	2.75%
Interest coverage ratio (2)	0.8	2.3	1.1	2.4

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

In respect of the IP Portfolio, due to the classification as Asset Held for Sale of the Sablière property and breach of the ICFR ratio, the related $12,721 mortgage loan was presented as short-term liability as at December 31, 2024, despite a maturity of the financing in 2026.

In respect of the JV portfolio, the mortgage loans on the Stuttgart, Neu-Isenburg and Kosching properties were extended in October 2024 until end of February 2026, and have thus been removed from the debt due in the next 12 months as at December 31, 2024.

Financing covenants

Since June 2022, the debt service coverage ratio covenant for the financing of the Baldi property has not been met due to ongoing redevelopment considerations and potential asset disposals. This non-compliance arises from the REIT's inability to simultaneously meet the covenant's minimum occupancy requirements while vacating the Baldi building for potential redevelopment. As a result, the Baldi mortgage loan has been classified as a $4,458 current liability on the balance sheet as at December 31, 2024.

The restricted cash set aside over 2024 is not sufficient to remediate the breach of the DSCR covenant required by the financing bank for the Sabliere property. As a result, the REIT was in breach of its financing covenant as of December 31, 2024. The outstanding mortgage balance of $12,721 was classified as a current liability in accordance with the asset held-for-sale presentation. The Sabliere will be fully repaid following the property's disposition expected on April 30, 2025, pursuant to the binding agreement of purchase and sale signed on March 28, 2025.

As at December 31, 2024, the projected Interest Coverage Ratio ("ICR") covenant for the Gaia property indicated a breach, primarily due to two tenants failing to meet their rental obligations. As a result, contractual requirement has been imposed to allocate a cash reserve restricting payments to expenses directly related to the property. Interest distributions have been suspended. The covenant breach does not trigger the immediate repayment of the outstanding loan. Consequently, the Gaia mortgage loan, totaling $32,191 remains classified under non-current liabilities as at December 31, 2024.

The REIT has been in communication with the lenders to update them on reletting or disposition plans that would remedy the covenant breach repay the debt. Although there has been no evidence that would indicate that either of the lenders intends to call the capital on loans despite the breach of covenants, the lenders may enforce their rights and the applicable loan amounts may become immediately due and payable. See *"Risks and Uncertainties"* in this MD&A.

Debt-to-Gross Book Value

The debt-to-gross book value ratio is a non-GAAP measure that considers the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on an IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) other long-term liabilities, and (iv) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and at the joint venture level for the contribution from the REIT and its partners.

Debt-to-gross book value	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Lease liabilities	100,787	102,998	110,131	112,579
Mortgage loans	114,449	116,234	182,946	184,795
Interest-bearing loans	189	186	542	(4,487)
Deferred tax liabilities	-	1,295	3,974	5,977
Total debt outstanding	**215,425**	**220,713**	**297,593**	**298,864**
Less : Cash	(6,249)	(12,489)	(7,572)	(15,290)
Debt net of cash	**209,176**	**208,224**	**290,021**	**283,574**
Gross book value	412,216	484,060	497,617	573,726
Gross book value. net of cash	405,967	471,571	490,045	558,436
Debt-to-gross book value	**52.3%**	**45.6%**	**59.8%**	**52.1%**
Debt-to-gross book value, net of cash	**51.5%**	**44.2%**	**59.2%**	**50.8%**

The debt-to-gross book value ratio largely increased compared to the period ending December 31, 2023, at 52.3% for the IP Portfolio (51.5% net of cash), due to decreasing fair value of properties and deferred amortization payment on Arcueil as per negotiated arrangements with the senior lender. The ratio is within the REIT's mandated threshold of maximum 60%

debt to the gross book value of assets. For the Total Portfolio, the debt-to-gross book value ratio increased similarly over Q4 2024 at 59.8% (59.2% net of cash).

Interest Coverage Ratio

Interest coverage ratio	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Net rental income	13,775	23,216	22,353	30,895
Indemnities	(651)	(2,320)	(1,698)	(2,320)
Net rental income adjusted	**13,124**	**20,896**	**20,655**	**28,575**
General and Administrative expenses	(5,990)	(6,405)	(7,540)	(7,958)
Interest income (2)	455	1,328	455	1,328
Total income	**7,589**	**15,819**	**13,570**	**21,945**
Interest expense (1)	(9,406)	(6,983)	(12,782)	(9,303)
Interest coverage ratio	**0.8**	**2.3**	**1.1**	**2.4**

(1) Includes interest on mortgage loans, leases liabilities, swap interest and amortization of financing costs.
(2) Excluding interest income on joint venture loans

After the depletion of non-recurring indemnities received from departing tenants at the Trio and Arcueil properties in 2024 and 2023, respectively, the interest coverage ratio for the IP portfolio declined significantly in 2024. The interest coverage ratio was further impacted by a lower occupancy rate, which reduced NRI, coupled with higher interest rates on a larger number of unhedged debts.

Weighted-Average Interest Rate

The weighted average interest rate across the IP Portfolio debt increased to 4.07% and 4.17% for the Total Portfolio compared to 2.62% and 2.75% at December 31, 2023. Most of the REIT's debts bear interest at a floating rate indexed on the EURIBOR rates, which remains high despite recent ECB interest rates cuts. Management is seeking to negotiate debt service reduction with senior lenders and the EURIBOR rate is anticipated to stabilize around 2.15% from Q2 2025 onward (2.71% as at December 31, 2024).

Debt Profile

Debt profile as at December 31, 2024

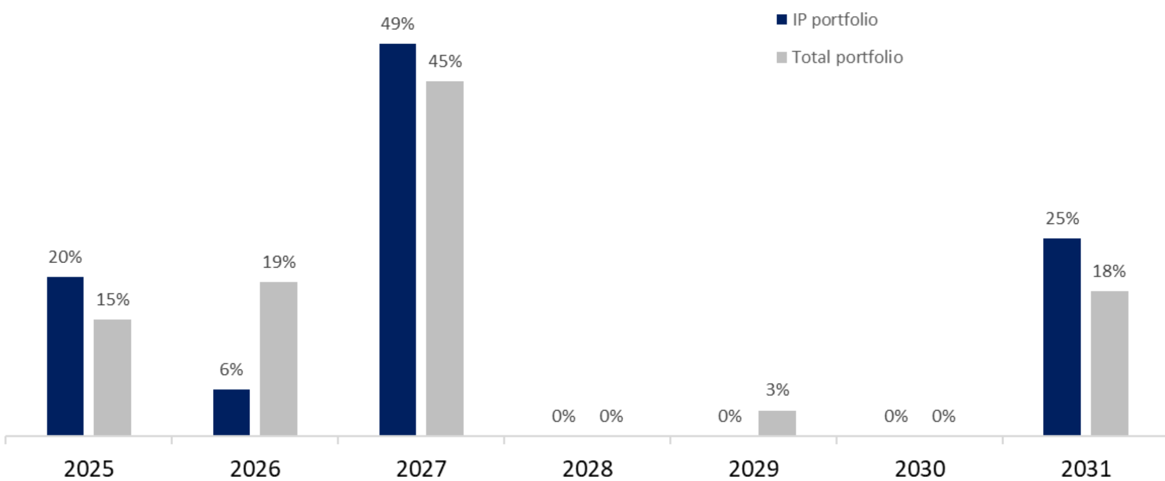
	IP Portfolio		Total Portfolio	
	Carrying value	%	Carrying value	%
Lease liabilities	**100,787**	47%	**110,131**	38%
Mortgage loans	**114,449**		**182,946**	
of which : Amortized mortgage loan	*82,258*	*38%*	*91,956*	*31%*
Bullet mortgage loan	*32,191*	*15%*	*90,990*	*31%*
Total	**215,236**	**100%**	**293,077**	**100%**

As at December 31, 2024, the debt on the IP Portfolio is composed of 53% mortgage loans and 47% lease liabilities, under contracts expiring from 2025 (Trio) to 2031 (Metropolitan). The average term of repayment of financing is 2.8 years (2.6 years on the Total Portfolio). Lease liabilities contracts are not bound by loan-to-value or debt-service-coverage-ratio covenants.

The REIT repays principal amounts quarterly on both mortgage and lease liabilities. This represents 85% of the REIT's IP Portfolio financing, excluding bullet mortgage loans (69% on the Total Portfolio). Management is in regular communication with the senior lenders, including those of Baldi and Arcueil properties, to update them on leasing, redevelopment and sale strategies and the renegotiation of financing terms for the in-place loans (particularly amortization schedules). Following the commitment to sell the Arcueil property, the REIT has negotiated a full amortization deferral starting in Q2 2024 until the end of 2025, while the effective disposition and full repayment of the loan is anticipated for the second half of 2026 at the earliest. An extension of the agreement could be sought from the lender depending on the progress fulfilling the administrative conditions of the sale.

Leasehold and Mortgage Financing Maturity Profile

(in % of amount outstanding as at December 31, 2024)



As at December 31, 2024, the Baldi and Sablière mortgage loans mature in June 2026 and October 2027 respectively and have been presented as such in the above graph. However, due to the lender's right to repayment upon breach of the covenant on the Baldi property, and due to the asset held for sale classification of the Sablière property, these loans have been classified as a current liability for a total amount of $17,179.

The 2025 maturity reflects the Trio facility agreement that matured on March 15, 2025 which was extended for 6 months on March 19, 2025.

The 2027 maturity relates mostly to the lease liability contract with the bank on the Arcueil property, in addition to the Delgado and Gaia financings. Since the sole tenant of Arcueil left the premises on June 30, 2023, the REIT has advanced redevelopment plans that led to the signing of an exchange contract for the sale of 87.5% of the asset in December 2024. Management continues to keep the senior lenders informed on next steps to extend the amortization freeze beyond 2025.

Equity

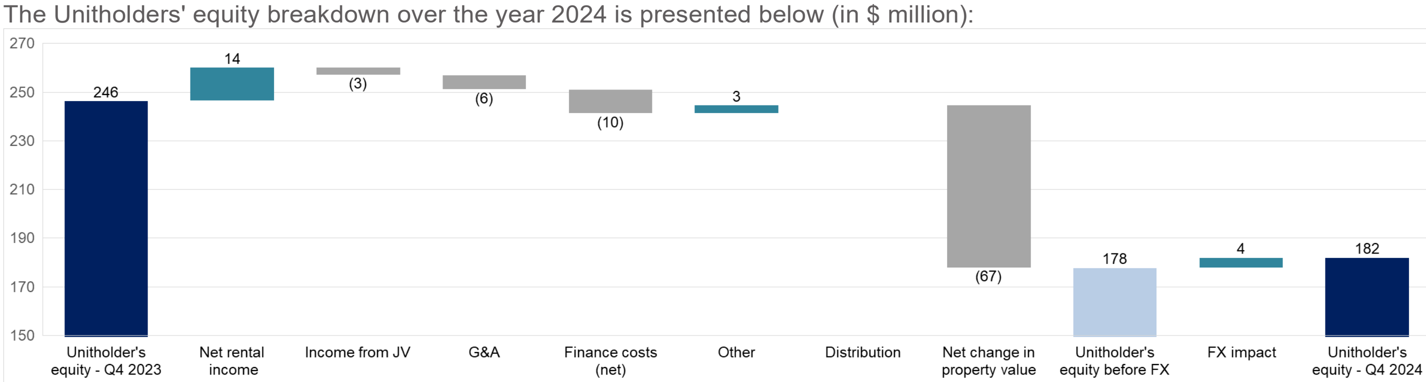
Management's discussion about equity is inclusive of Exchangeable Securities. In the consolidated financial statements, the Exchangeable Securities are classified as current liabilities under IFRS because of the conversion feature that can be exercised by the holder of those securities at any time.

On December 9, 2024, the REIT converted 545,144 Exchangeable Securities into Units. As at December 31, 2024, the REIT has 33,206,180 Units issued and outstanding, plus 392,892 Exchangeable Securities.

	Three months ended December 31, 2024	Year ended December 31, 2024
Units		
Number at beginning of period	32 630 141	32 594 711
Increase in number during the period	576 039	611 469
Number at end of period	33 206 180	33 206 180
Weighted average number during the period	32 783 337	32 642 941
Exchangeable securities		
Number at beginning of period	938 036	938 036
Decrease in number during the period	(545 144)	(545 144)
Number at end of period	392 892	392 892
Weighted average number during the period	807 675	905 268
Units and Exchangeable securities		
Number at beginning of period	33 568 177	33 532 747
Increase in number during the period	576 039	611 469
Decrease in number during the period	(545 144)	(545 144)
Number at end of period	33 599 072	33 599 072
Weighted average number during the period	33 591 012	33 548 209

Unitholder's Equity

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



Notes to the Unitholder's equity chart:

- The biggest impact on the REIT's NAV was the fair value adjustment of the Arcueil ($40 million) and Trio ($17million) properties, included in the $67 million.
- Income from JV includes both the share of net loss for $5,910 and $2,827 finance income from interests on joint venture loans.
- Finance costs ($10,336) are presented net of the finance income ($455) mostly attributable to the profit on currency hedge contracts and net of interests on joint venture loans ($2,827).
- FX impact: The closing foreign exchange rate was 1.4892 as at December 31, 2024, in increase of 1.5% compared to the 1.4624 as at December 31, 2023, leading to a positive $4,174 impact on the REIT's NAV as at December 31, 2024.

Special Non-Cash Distribution

The REIT declared a special non-cash distribution of $0.225 per Unit, representing $7,471. The distribution was paid by the issuance of 7,321,963 Units to Unitholders of record as at December 31, 2024. Immediately following the special distribution, the outstanding Units of the REIT were consolidated such that each Unitholder holds, after the consolidation, the same number of Units as such Unitholder held before the special distribution.

The special distribution was made to distribute to Unitholders the taxable income realized by the REIT from transactions completed during the year ended December 31, 2024.

Available and Restricted Cash

The REIT's available cash was $6,249 as at December 31, 2024 (compared to $12,489 as at December 31, 2023) following the debt amortization paid of $7,976. Available funds are intended to be used for senior debt payments (interest and amortization). In addition to this available cash, the REIT held:

- $3,262 of restricted cash, that could be used for either capex financing on the Trio property or its partial deleverage for loan extension

- $3,160 of cash in the assets held in joint venture, including $1,837 restricted cash constituted upon refinancing of debts and intended to secure senior lenders.

Cash Flows

The table below shows the cash utilization throughout the years 2024 and 2023 for the IP Portfolio, not including the REIT's share of cash in the joint venture-owned properties. Management will continue to closely monitor cash and negotiate payment deferral from banks or suppliers when necessary to meet working capital requirements.

	Year ended December 31,		
	2024	2023	Variance
Cash at the beginning of the period	**12,489**	**45,176**	**(32,687)**
Cash provided by (used in):			
Operating activities	515	3,971	(3,456)
Investing activities	557	2,146	(1,589)
Financing activities	(7,339)	(39,083)	31,744
Net change during the period	**(6,267)**	**(32,966)**	**26,699**
Impacts of FX adjustment on cash	27	279	(252)
Cash at period-end	**6,249**	**12,489**	**(6,240)**

Unit-Based Compensation Plan

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

Effective May 8, 2024, the REIT's Unitholders approved a DSU Plan to grant DSUs to its trustees and senior officers and reserved a maximum of 200,000 Units for issuance under the plan. A DSU is a unit equivalent in value to one trust unit of the REIT. The DSU Plan permits the REIT's trustees to defer receipt of all or a portion of their trustee fees and to receive such fees in the form of trust Units upon exercising the DSUs ("Elected DU"). Elected DU will vest immediately upon grant.

The DSU Plan allows the board of trustees to grant DSUs to its senior officers at the board's discretion ("Granted DU"). The Granted DUs vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DUs is recognized in the consolidated statement of earnings consistent with the vesting feature of each grant. In addition, whenever cash distributions are paid on the Units, additional deferred units ("ADU") shall be granted based on aggregate number of vested DSUs as at the same date. ADUs were suspended at the same time as distributions to Unitholders effective with the December 2023 distribution.

As of December 31, 2024, 157,240 DSUs are outstanding and 42,760 DSUs are available for grant under the DSU Plan. During the year ended December 31, 2024, a total of 66,325 DSUs were exercised which resulted in a decrease in the DSU plan liability by $75 (December 31, 2023 – $35).

Financial Instruments

The REIT has the following financial assets and liabilities as at December 31, 2024:

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

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

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 unobservable inputs for the asset or liability.

There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2024.

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

- Trade receivables and other financial assets
- Cash and restricted cash
- Trade and other payables

	December 31, 2024		December 31, 2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Loans to joint ventures	23,168	23,168	24,897	24,897
Financial liabilities				
Mortgage loans	113,145	114,449	113,897	116,234
Tenant deposits	2,483	2,483	2,392	2,392

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

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

(ii) Mortgage loans were carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings were based on market information, when available, or by discounting future payment of interest and principal at estimated interest rates expected to be available to REIT as at December 31, 2024 and 2023.

The fair value of the mortgage loans was 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 was 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 issuance.

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

- 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 Units, on the basis that they are exchangeable on a one-to-one basis at the request of the holders of Exchangeable Securities. Other features of Exchangeable Securities have no significant impact on their fair value.

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

Liquidity Risk and Going concern

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

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. 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. 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 sold, the resulting projected net cash shortfall as at the end of 2025 would total $3.8 million.

   The REIT 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.

- 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.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans. As at December 31, 2024, 27% of the REIT's IP long-term debt obligation has no exposure to interest rate risk (28% for the Total Portfolio). Floating rate debts are mostly on assets included in the Asset Recycling Plan or with short- term financing maturities.

Currency Risk

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

Following the distribution cut announced in November 2023, the REIT timely broke all its remaining 12 foreign exchange contracts, the last ones in December 2024. In total, over the year 2024, the cancellation of these contracts led to a gain (in finance income) of $455 for contracts with Banque Palatine, and to a loss of $695 (in finance costs) for contracts with Alpha Group.

Credit Risk

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

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

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

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

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

Quarterly Information - Last Eight Quarters

	As at and for the three months ended							
	Dec.31 2024	**Sept.30 2024**	**June 30 2024**	**March 31 2024**	**Dec. 31 2023**	**Sept. 30 2023**	**June. 30 2023**	**March 31 2023**
Rental revenue	5,258	4,688	4,062	4,631	4,788	4,972	7,571	7,325
Rental revenue - Total Portfolio (1)	7,546	6,689	6,067	6,757	6,827	6,643	9,806	9,428
Net rental income	4,732	3,518	4,616	912	4,084	4,830	10,341	3,962
Net rental income - Total Portfolio (1)	6,817	5,101	6,799	3,636	6,118	6,668	12,474	5,635
Net income attributable to Unitholders	(25,999)	(9,417)	(20,140)	(13,579)	(35,574)	1,260	3,003	1,622
FFO (1)	662	(1,181)	727	1,042	488	1,984	7,545	4,575
AFFO (1)	357	(887)	(108)	747	412	2,294	7,265	4,677
FFO per Unit (diluted) (1) (2)	0.02	(0.04)	0.02	0.03	0.01	0.06	0.22	0.14
AFFO per Unit (diluted) (1) (2)	0.01	(0.03)	(0.00)	0.02	0.01	0.07	0.22	0.14
Declared distribution per Unit (3)	-	-	-	-	0.07	0.10	0.10	0.10
FFO payout ratio (2)	-	-	-	-	481.4%	173.7%	46.1%	75.8%
AFFO payout ratio (2)	-	-	-	-	570.3%	150.2%	47.9%	74.1%

(1) See the following section "Non-GAAP Financial Measures" for more information on the REIT's non-GAAP financial measures and reconciliations thereof. Non-GAAP measures do not have standardized meaning under IFRS. These measures as computed by the REIT may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other entities.
(2) Based on the diluted weighted average number of Units and Exchangeable Securities
(3) Excluding the $0.225 special non-cash distribution declared on December 31, 2024 and paid by issuance of Units.

Related party transactions

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

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

Management Agreement

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

Subsequent Events

Sablière – Signing of sale contract

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. The buyer has transferred the remaining deposit into the notary reserve account (equivalent to 5% of the sale price). Up to €150 ($222) of the deposit may be used to pay the cost borne by the REIT. The contract 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.

The estimated $13,641 (€9,160) net sale proceeds from the sale would be used to pay down debt, invest capital to support leasing or redevelop opportunities.

Trio mortgage loan maturity

Subsequent to the year-end, on March 19, 2025, HCOB, the senior lender on the Trio property, confirmed the 6-month financing extension and agreed on the timing for the €5,500 ($8,191) repayment in early April 2025, a condition for the 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, scheduled to be in place in early April 2025. The 18-month mezzanine loan will bear annual interest at 12% (6% paid quarterly and 6% at maturity). Management’s objective is to refinance this loan in due course with conventional financing, depending on progress of the leasing strategy.

Investment in Joint Ventures, Reconciliation

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements

	Three months ended					
	December 31, 2024			December 31, 2023		
	Amounts per REIT's financial statements	Share of net earnings from investments in joint ventures (1)	Total	Amounts per REIT's financial statements	Share of net earnings from investments in joint ventures (1)	Total
Rental income	5,258	2,288	**7,546**	4,788	2,039	**6,827**
Property operating cost recoveries	1,503	295	**1,798**	1,694	338	**2,032**
Property operating costs	(1,255)	(534)	**(1,789)**	(2,266)	(871)	**(3,137)**
Other revenues	(813)	(43)	**(856)**	56	731	**787**
Other property operating expenses	39	79	**118**	(188)	(203)	**(391)**
					-	**-**
Net rental income	**4,732**	**2,085**	**6,817**	**4,084**	**2,034**	**6,118**
General and administrative expenses	(1,388)	(409)	**(1,797)**	(1,771)	(435)	**(2,206)**
Foreign exchange gain	-	-	**-**	21	-	**21**
Share of net loss from joint ventures	(2,080)	2,080	**-**	(10,307)	10,307	**-**
Operating income	**1,264**	**3,756**	**5,020**	**(7,973)**	**11,906**	**3,933**
Net change in fair value of investment properties	(26,914)	(4,711)	**(31,625)**	(28,011)	(11,564)	**(39,575)**
Net change in fair value of financial derivatives	671	(2)	**669**	(1,167)	(5)	**(1,172)**
Net change in fair value of Exchangeable securitie	181	-	**181**	1,225	-	**1,225**
Finance income	718	(718)	**-**	(102)	(678)	**(780)**
Finance costs	(2,829)	(586)	**(3,415)**	(859)	(692)	**(1,551)**
Distributions on Exchangeable securities	-	-	**-**	(110)	-	**(110)**
Loss before income taxes	**(26,909)**	**(2,261)**	**(29,170)**	**(36,997)**	**(1,033)**	**(38,030)**
Current income tax recovery (expense)	27	14	**41**	(175)	(1)	**(176)**
Deferred income tax recovery	484	393	**877**	1,329	1,391	**2,720**
Total income tax recovery	**511**	**407**	**918**	**1,154**	**1,390**	**2,544**
Net loss (1)	**(26,398)**	**(1,854)**	**(28,252)**	**(35,843)**	**357**	**(35,486)**
Non-controlling interest	(399)	-	(399)	(269)	-	(269)
Net loss sattributable to the Trust	**(25,999)**	**(1,854)**	**(27,853)**	**(35,574)**	**357**	**(35,217)**

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

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

	Year ended					
	December 31, 2024			December 31, 2023		
	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total
Rental revenue	18,639	8,420	**27,059**	24,656	8,048	**32,704**
Property operating cost recoveries	5,103	2,246	**7,349**	6,211	2,580	**8,791**
Property operating costs	(10,153)	(3,340)	**(13,493)**	(10,054)	(3,542)	**(13,596)**
Other revenues	367	1,309	**1,676**	2,699	805	**3,504**
Other property operating expenses	(181)	(57)	**(238)**	(296)	(212)	**(508)**
Net rental income	**13,775**	**8,578**	**22,353**	**23,216**	**7,679**	**30,895**
General and administrative expenses	(5,990)	(1,550)	**(7,540)**	(6,405)	(1,553)	**(7,958)**
Foreign exchange gain	-	-	**-**	21	-	**21**
Share of net loss from joint ventures	(5,910)	5,910	**-**	(13,984)	13,984	**-**
Operating income	**1,875**	**12,938**	**14,813**	**2,848**	**20,110**	**22,958**
Net change in fair value of investment properties	(66,774)	(10,127)	**(76,901)**	(28,117)	(16,584)	**(44,701)**
Net change in fair value of financial derivatives	(20)	(4)	**(24)**	(3,604)	(9)	**(3,613)**
Net change in fair value of Exchangeable securities	735	-	**735**	1,941	-	**1,941**
Finance income	3,282	(2,827)	**455**	4,049	(2,721)	**1,328**
Finance costs	(10,336)	(3,503)	**(13,839)**	(7,012)	(2,334)	**(9,346)**
Distributions on Exchangeable securities	-	-	**-**	(387)	-	**(387)**
Loss before income taxes	**(71,238)**	**(3,523)**	**(74,761)**	**(30,282)**	**(1,538)**	**(31,820)**
Current income tax expense	(106)	(69)	**(175)**	(229)	(100)	**(329)**
Deferred income tax recovery	1,313	790	**2,103**	557	1,995	**2,552**
Total income tax recovery	**1,207**	**721**	**1,928**	**328**	**1,895**	**2,223**
Net (loss) (2)	**(70,031)**	**(2,802)**	**(72,833)**	**(29,954)**	**357**	**(29,597)**
Non-controlling interest	(898)	-	(898)	(263)	-	(263)
Net (loss) income attributable to the Trust	**(69,133)**	**(2,802)**	**(71,935)**	**(29,691)**	**357**	**(29,334)**

(1) Statement of Earnings amounts presented for the REIT were taken respectively from audited consolidated financial statements as at December 31, 2024 and 2023.

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

Balance Sheet Reconciliation to Consolidated Financial Statements

	As at December 31, 2024			As at December 31, 2023		
Assets	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures (2)**	**Proportionate Consolidation**	**As per REIT's financial statements (1)**	**Share from investments in joint-ventures (2)**	**Proportionate Consolidation**
Investment properties	327,789	122,729	450,518	412,967	128,034	541,001
Investments in joint ventures	37,047	(37,047)	-	41,632	(41,632)	-
Other financial assets	407	-	407	333	-	333
Restricted cash	1,611	-	1,611	4,973	-	4,973
Total non-current assets	**366,854**	**85,682**	**452,536**	**459,905**	**86,402**	**546,307**
Current assets						
Trade receivables and other financial assets	9,528	(3,861)	5,667	7,134	(1,401)	5,733
Derivative financial instruments	-	-	-	527	-	527
Other current assets	1,873	420	2,293	3,809	1,970	5,779
Restricted cash	1,651	1,837	3,488	196	370	566
Cash	6,249	1,323	7,572	12,489	2,801	15,290
Total current assets	**19,301**	**(281)**	**19,020**	**24,155**	**3,740**	**27,895**
Asset held for sale	26,061	-	26,061	-	-	-
Total assets	**412,216**	**85,401**	**497,617**	**484,060**	**90,142**	**574,202**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	189	353	542	186	39	225
Mortgage loans	53,961	68,006	121,967	65,710	24,039	89,749
Lease liabilities	95,752	9,166	104,918	96,179	9,067	105,246
Tenant deposits	2,228	138	2,366	2,224	138	2,362
Derivative financial instruments	-	-	-	110	-	110
Deferred tax liabilities	-	3,974	3,974	1,295	4,682	5,977
Total non-current liabilities	**152,130**	**81,637**	**233,767**	**165,704**	**37,965**	**203,669**
Current liabilities						
Interest-bearing loan	83	(63)	20	28	-	28
Mortgage loans	60,488	491	60,979	50,524	44,522	95,046
Lease liabilities	5,035	178	5,213	6,819	514	7,333
Tenant deposits	255	180	435	168	187	355
Exchangeable securities	385	-	385	1,595	-	1,595
Derivative financial instruments	-	-	-	377	-	377
Trade and other payables	8,668	1,817	10,485	7,356	2,595	9,951
Provisions	243	-	243	765	-	765
Income tax payable	2,238	-	2,238	2,175	-	2,175
Deferred income	586	212	798	1,184	636	1,820
Total current liabilities	**77,981**	**2,815**	**80,796**	**70,991**	**48,454**	**119,445**
Total liabilities	**230,111**	**84,452**	**314,563**	**236,695**	**86,419**	**323,114**
Equity						
Trust units	296,206	-	296,206	288,156	-	288,156
Retained earnings (2)	(129,834)	903	(128,931)	(53,230)	3,705	(49,525)
Accumulated other comprehensive income	15,666	46	15,712	11,492	18	11,510
	182,038	**949**	**182,987**	**246,418**	**3,723**	**250,141**
Non-controlling interest	67	-	67	947	-	947
Total liabilities and equity	**412,216**	**85,401**	**497,617**	**484,060**	**90,142**	**574,202**

(1) Balance sheet amounts presented for the REIT were taken respectively from audited consolidated financial statements as at December 31, 2024 and 2023. The “Proportionate Consolidation” column for 2023 was adjusted on lines “trade receivables” and “interest-bearing loan” to ensure comparability with year on year figures.

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

Risks and Uncertainties

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

Risks Relating to the REIT and its Business

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

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

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

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

Following a comprehensive analysis by management that considered a wide range of factors related to the REIT's future cash flow, management has concluded that there is a material uncertainty that may cast significant doubt upon the REIT's ability to continue as a going concern for at least the next twelve months, as it requires the completion of the sale of the Sabliere property, scheduled for April 30, 2025.

Changes in Interest Rates Could Adversely Affect Cash Flows

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

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

In the aftermath of the 2024 European and French parliamentary elections, France's political landscape has become more fragmented, casting a long shadow over its governmental and economic prospects. The absence of a clear majority government foreshadows political instability, which has significantly dampened the appetite of financial institutions for commercial lending and has tempered the appetite of potential investors, prompting them to adopt an even more conservative approach, at least for the coming quarters. In the absence of a strong and stable government, lenders are tightening their lending criteria, making it increasingly difficult for businesses to secure loans. The tightening of credit has coincided with an economic slowdown, induced by interest rates at an all-time high despite the recent 50bp cut by the ECB. The effects of domestic instability have not been confined to France. Foreign investors, traditionally a key source of capital, have been extremely cautious, temporarily pulling back from the French market. This retreat of foreign capital has further restricted the pool of funds available for commercial lending, also restricting country's business sector. Accordingly, the political upheaval following France's 2024 elections cultivated an environment of pervasive uncertainty which has begun to stabilize in early 2025. This has led to a contraction in both the supply and demand for commercial loans, as financial institutions grapple with heightened risks, businesses face higher borrowing costs, and the economy slows under the weight of this political and economic uncertainty. The foregoing conditions may negatively impact the REIT's ability to refinance its existing loans or secure financing on terms acceptable to the REIT or at all, which could adversely impact the REIT's liquidity, operating results or financial condition, the ability to make distributions on the Units and the ability to implement the REIT's growth strategy. Furthermore, these conditions may negatively impact the ability of the REIT to sell properties if potential buyers are unable to secure financing necessary to complete the transaction.

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

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

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

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

Concentration of Tenants May Result in Significant Vacancies on the Properties

As at December 31, 2024, five of the REIT's largest tenants, by percentage of total GLA, occupy 24% of the total areas, with the main tenant in Trio representing 8% of total areas and 13% of the IP Portfolio rental income. This tenant in Trio has provided notice to the REIT of its intention to terminate its lease effective December 2025. While four of the five largest tenants are committed to multi-year leases, which are set to expire gradually between 2026 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the earliest dates on which those five largest tenants may effectively move range between 2026 and 2029.

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

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

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

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

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

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

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

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

Necessary capital and operating expenditures are made to ensure compliance with environmental laws and regulations. Although there can be no assurance, management does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change, and the REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the REIT’s business, financial condition or results of operations.

The REIT May Incur Significant Capital Expenditures

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

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

Changes in Government Regulations May Affect Our Investment in Our Properties

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

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

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

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

Changes in Currency Exchange Rates Could Adversely Affect Our Business

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

Dependence on Inovalis S.A. for Management Services

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

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

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

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

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

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

Reliance on Partnerships

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

Climate Change Risk

Climate change continues to attract the focus of governments and the general public as an important threat, given the emission of greenhouse gases and other activities which continue to negatively impact the planet. The REIT faces the risk that its properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on its operational flexibility. Furthermore, the REIT’s properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt the REIT's operations and activities, damage its properties, and require the REIT to incur additional expenses, including an increase in insurance costs to insure its properties against natural disasters and severe weather.

Potential Conflicts of Interest

The REIT may be subject to various conflicts of interest because of the fact that the trustees and management (being engaged through Inovalis S.A.), and their associates, may be engaged in a wide range of real estate and other business activities. The REIT may become involved in transactions which conflict with the interests of the foregoing. The trustees, management, Inovalis S.A., and their associates or affiliates may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT.

Cyber Security Risks

Cyber security has become an increasingly problematic issue for issuers and businesses around the world, including for the REIT and the real estate industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise the REIT's confidential information as well as that of the REIT's employees, tenants and third parties with whom the REIT interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. As a result, the Asset Manager continually monitors for malicious threats and adapts accordingly in an effort to ensure it maintains privacy and security standards. The Asset Manager, pursuant to the Management Agreement, invests in cyber-defense technologies to support the REIT's business model and to protect its systems, employees and tenants and seeks to employ industry best practices. The REIT's investments continue to manage the risks it faces today and position the REIT for the evolving threat landscape. The REIT also follows certain protocols when it engages software and hardware vendors concerning data security and access controls.

Litigation Risks

The REIT is subject to a wide variety of laws and regulations across its operating jurisdictions and faces risks associated with legal changes and litigation. If the REIT fails to monitor and become aware of changes in applicable laws and regulations, or if the REIT fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation or other significant costs, as well as significant time and effort to remediate any violations. The REIT, in the normal course of operations, is subject to a variety of legal and other claims, including claims relating to personal injury, property damage, property taxes, land rights and contractual and other commercial disputes. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and the resolution of such actions may have an adverse effect on the REIT's financial position or results of operations as well as reputational damage both from an operating and an investment perspective. The REIT evaluates all claims on their apparent merits and accrues management's best estimate of the likely cost to satisfy such claims. Management believes the outcome of current legal and other claims filed against the REIT, after considering insurance coverage, will not have a significant impact on the REIT's consolidated financial statements.

Potential Volatility of the REIT's Unit Prices

The price for the Units could be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, the gain or loss of significant properties, changes in income estimates by analysts and market conditions in the industry, as well as general economic conditions or other risk factors set out herein. In addition, stock markets have experienced volatility that has affected the market prices for many issuers' securities and that often has been unrelated to the operating performance of such issuers. These market fluctuations may adversely affect the market price of the Units. A publicly traded REIT will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to the underlying value of the REIT's real estate assets. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

Cash Distributions are Not Guaranteed and Will Fluctuate with the REIT's Performance

A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions. As disclosed in this AIF, the REIT has indefinitely suspended its previous monthly distribution to Unitholders.

The resumption of cash distributions is not assured. The ability of the REIT to make distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the properties in the REIT's portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the Units may decline for a variety of reasons and that decline may be significant. It is important for a person making an investment in Units to consider the particular risk factors that may affect both the REIT and the real estate industry in which the REIT operates and which may therefore affect the likelihood of distributions on the Units.

Nature of Units and Dilution

Securities such as the Units share certain, though not all, attributes common to shares of a company. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions. Further, the REIT is authorized to issue an unlimited number of Units. Any issuance of Units may have a dilutive effect on existing Unitholders.

Income Taxes

Taxation of Trusts

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

Application of the SIFT Rules

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

FAPI

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

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

Foreign Currency

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

Change of Tax Law

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

Non-Residents of Canada

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

Taxation of the REIT and the REIT's Subsidiaries

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

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

Qualified Investments

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

EIFEL Rules

Recent amendments to the Tax Act (the "EIFEL Rules") are intended, where applicable, to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's tax EBITDA. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase, which could reduce the after-tax return associated with an investment in Units. Unitholders are advised to consult their personal tax advisors.

Unit Distributions

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

German Taxes

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

Luxco taxation

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

Foreign Income Taxes

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

The preparation of the REIT's consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Management bases its judgements, estimates and assumptions on experience and other factors that it believes to be reasonable under the circumstances. However, uncertainty about these judgements, estimates and assumptions could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting judgements, estimates and assumptions in applying accounting policies are described in Note 4 to the audited consolidated financial statements of the REIT as at and for the year ending December 31, 2024 and 2023.

A description of significant accounting policies is provided in Note 3 of the audited consolidated financial statements of the REIT for the years ended December 31, 2024.

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures ("DCP")

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

The CEO and CFO concluded that such disclosure controls and procedures were effective, as at December 31, 2024.

Internal Controls Over Financial Reporting ("ICFR")

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

An evaluation of the adequacy of the design and effective operation of the REIT's ICFR was conducted under the supervision of management, including the CEO and CFO, as at December 31, 2024. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate. Based on that evaluation, the CEO and the CFO have concluded that the design and implementation of ICFR were complete as at December 31, 2024.

Inherent Limitations

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