

# **Slate Grocery REIT**

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022

(Unaudited)

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
Non-current assets			
Properties	5	\$ 2,126,998	\$ 1,608,655
Interest rate swaps	10	16,855	—
Joint venture investments	6	112,418	87,304
Other assets	7	1,043	1,446
		<b>\$ 2,257,314</b>	<b>\$ 1,697,405</b>
Current assets			
Other assets	7	2,792	3,435
Interest rate swaps	10	2,120	—
Prepays		5,482	4,711
Accounts receivable	8	25,930	17,573
Cash		27,608	14,038
		<b>\$ 63,932</b>	<b>\$ 39,757</b>
<b>Total assets</b>		<b>\$ 2,321,246</b>	<b>\$ 1,737,162</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Debt	9	\$ 1,083,424	\$ 929,218
Interest rate swaps	10	—	9,369
Other liabilities		5,022	3,142
Exchangeable units of subsidiaries	11	8,587	12,302
Deferred income taxes	12	145,510	106,769
		<b>\$ 1,242,543</b>	<b>\$ 1,060,800</b>
Current liabilities			
Debt	9	91,617	8,526
Interest rate swaps	10	—	9,567
Accounts payable and accrued liabilities	13	51,767	30,039
Distributions payable	20	4,412	4,309
		<b>\$ 147,796</b>	<b>\$ 52,441</b>
<b>Total liabilities</b>		<b>\$ 1,390,339</b>	<b>\$ 1,113,241</b>
<b>UNITHOLDERS' EQUITY</b>			
Unitholders' equity		\$ 740,774	\$ 619,020
Non-controlling interest	14	190,133	4,901
<b>Total equity</b>		<b>\$ 930,907</b>	<b>\$ 623,921</b>
<b>Total liabilities and unitholders' equity</b>		<b>\$ 2,321,246</b>	<b>\$ 1,737,162</b>

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

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Rental revenue	15	\$ 48,404	\$ 34,079	\$ 126,830	\$ 99,927
Property operating expenses		(7,675)	(4,809)	(42,719)	(31,289)
General and administrative expenses	16	(3,485)	(2,549)	(10,882)	(7,371)
Interest and finance costs	17	(12,750)	(13,842)	(33,215)	(31,499)
Share of income (loss) in joint venture investments	6	5,359	(3,318)	30,956	(3,306)
Transaction costs		(250)	—	(254)	(176)
Change in fair value of financial instruments	18	—	2,102	—	(9,185)
Change in fair value of properties	5	1,442	6	78,505	77,316
<b>Net income before income taxes and unit income (expense)</b>		<b>\$ 31,045</b>	<b>\$ 11,669</b>	<b>\$ 149,221</b>	<b>\$ 94,417</b>
Deferred income tax recovery (expense)	12	687	(1,782)	(29,965)	(23,096)
Current income tax expense	12	(37)	(251)	(751)	(1,868)
Unit income (expense)	11, 20	1,858	(33)	1,862	(2,216)
<b>Net income</b>		<b>\$ 33,553</b>	<b>\$ 9,603</b>	<b>\$ 120,367</b>	<b>\$ 67,237</b>
<b>Net income attributable to</b>					
Unitholders		\$ 28,037	\$ 9,124	\$ 114,101	\$ 66,758
Non-controlling interest	14	5,516	479	6,266	479
<b>Net income</b>		<b>\$ 33,553</b>	<b>\$ 9,603</b>	<b>\$ 120,367</b>	<b>\$ 67,237</b>

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Net income		\$ 33,553	\$ 9,603	\$ 120,367	\$ 67,237
Items to be subsequently reclassified to profit or loss					
Gain (loss) on cash flow hedges of interest rate risk, net of tax	10	14,429	(6)	25,224	(117)
Reclassification of cash flow hedges of interest rate risk to income	10	374	2,120	3,912	6,229
Other comprehensive income		14,803	2,114	29,136	6,112
<b>Comprehensive income</b>		<b>\$ 48,356</b>	<b>\$ 11,717</b>	<b>\$ 149,503</b>	<b>\$ 73,349</b>
<b>Comprehensive income attributed to</b>					
Unitholders		\$ 39,940	\$ 11,238	\$ 140,337	\$ 72,870
Non-controlling interest	14	8,416	479	9,166	479
<b>Comprehensive income</b>		<b>\$ 48,356</b>	<b>\$ 11,717</b>	<b>\$ 149,503</b>	<b>\$ 73,349</b>

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## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	REIT units	Retained earnings	Accumulated other comprehensive (loss) income	Capital reserve	Non-controlling interest	Total
December 31, 2021		\$ 576,540	\$ 57,137	\$ (13,233)	\$ (1,424)	\$ 4,901	\$ 623,921
Net income and other comprehensive income		—	114,101	26,236	—	9,166	149,503
Distributions	11, 14, 20	—	(38,785)	—	—	(3,934)	(42,719)
Exchanges	11	2,140	—	—	—	—	2,140
Issuances, net of costs	11	18,062	—	—	—	—	18,062
Sale of interest in subsidiary	14	—	—	—	—	180,000	180,000
<b>September 30, 2022</b>		<b>\$ 596,742</b>	<b>\$ 132,453</b>	<b>\$ 13,003</b>	<b>\$ (1,424)</b>	<b>\$ 190,133</b>	<b>\$ 930,907</b>

	Note	REIT units	Retained earnings	Accumulated other comprehensive (loss) income	Capital reserve	Non-controlling interest	Total
December 31, 2020		\$ 463,603	\$ 14,431	\$ (23,892)	\$ (1,424)	\$ —	\$ 452,718
Net income and other comprehensive income		—	66,758	6,112	—	479	73,349
Distributions	11, 14, 20	—	(31,507)	—	—	(130)	(31,637)
Issuances, net of costs	11	112,977	—	—	—	—	112,977
Non-controlling interest on acquisition	14	—	—	—	—	4,549	4,549
<b>September 30, 2021</b>		<b>\$ 576,580</b>	<b>\$ 49,682</b>	<b>\$ (17,780)</b>	<b>\$ (1,424)</b>	<b>\$ 4,898</b>	<b>\$ 611,956</b>

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## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Nine months ended September 30,	
		2022	2021
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 120,367	\$ 67,237
Items not affecting cash			
Straight-line rent	5	(63)	(449)
Change in fair value of financial instruments	18	—	9,185
Change in fair value of properties	5	(78,505)	(77,316)
IFRIC 21 property tax adjustment	5	4,660	3,892
Deferred income tax expense	12	29,965	23,096
Unit (income) expense	20	(1,862)	2,216
Share of income (loss) in joint venture investments	6	(30,956)	3,306
Interest and finance costs	17	33,215	31,499
Cash interest paid, net		(31,921)	(25,155)
Subscription receipts equivalent amount paid	11, 17	—	(4,933)
Changes in working capital items		7,912	10,962
		<b>\$ 52,812</b>	<b>\$ 43,540</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions	4	(422,503)	(116,525)
Disposition	4	1,961	4,059
Investment in joint ventures	6	—	(70,400)
Distributions from joint venture investments	6	5,842	1,348
Funds held in escrow	7	926	19,123
Capital expenditures	5	(4,789)	(3,450)
Leasing costs	5	(985)	(1,069)
Tenant improvements	5	(1,660)	(1,475)
Development and expansion capital	5	(8,779)	(21,005)
		<b>\$ (429,987)</b>	<b>\$ (189,394)</b>
<b>FINANCING ACTIVITIES</b>			
Revolver advances, net	9, 26	98,210	129,494
Term loan advances, net	9, 26	271,619	(2)
Mortgage advances, net	9, 26	—	166,423
Revolver, term loan and mortgage repayments	9, 26	(133,917)	(207,321)
Disposal of interest in subsidiary	14	180,000	—
Equity offering proceeds, net	11	18,062	99,138
REIT unit distributions	20	(38,670)	(30,688)
Exchangeable units of subsidiaries distributions	20	(625)	(699)
Distributions to non-controlling interest	14	(3,934)	(130)
		<b>\$ 390,745</b>	<b>\$ 156,215</b>
<b>Increase in cash</b>		<b>13,570</b>	<b>10,361</b>
<b>Cash, beginning of the period</b>		<b>14,038</b>	<b>2,362</b>
<b>Cash, end of the period</b>		<b>\$ 27,608</b>	<b>\$ 12,723</b>

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

# Slate Grocery REIT

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

### 1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Grocery REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning, and leasing a portfolio of grocery-anchored real estate properties (the "properties") in the United States of America (the "U.S.").

The class U units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SGR.U and SGR.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

- i. provide unitholders with stable cash distributions from a portfolio of grocery-anchored real estate properties in the U.S.;
- ii. enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and
- iii. expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

### 2. BASIS OF PREPARATION

#### i. Statement of compliance

These condensed consolidated interim financial statements ("the consolidated financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board.

#### ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on November 2, 2022.

#### iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for properties and certain financial instruments, which are measured at fair value.

The application of the going concern basis of preparation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future.

#### iv. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries.

### 3. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is included in note 3 of the audited comparative consolidated financial statements of the REIT as at and for the year ended December 31, 2021. These consolidated financial statements follow the same accounting policies and methods of computation as used in the REIT's most recent annual consolidated financial statements.

These consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS") and should be read in conjunction with the REIT's audited comparative consolidated financial statements as at and for the year ended December 31, 2021.

#### i. Basis of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated on consolidation.

A subsidiary is an entity over which the REIT has control. Control exists when the REIT has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the REIT in these consolidated financial statements.

Changes in the REIT's ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

#### ii. Joint arrangements

A joint arrangement is a contractual arrangement in which the REIT has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the return of an arrangement. The REIT classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The REIT's interest in a joint operation is accounted for based on the REIT's interest in those assets, liabilities, revenues, and expenses.

A joint venture is a joint arrangement wherein the parties have rights to the net assets. The REIT's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the REIT's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the REIT's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of the joint venture is presented as part of the REIT's consolidated statement of comprehensive income.

## 4. PROPERTY ACQUISITIONS AND DISPOSITION

### Acquisitions

The REIT acquired fourteen properties during the nine month period ended September 30, 2022. The operational results of these properties have been included in these consolidated financial statements from the date of acquisition.

Property	Purchase date	Location	Purchase price
Centerplace of Greeley	June 30, 2022	Greeley, Colorado	\$ 37,550
River Run	July 15, 2022	Miramar, Florida	18,719
Sheridan Square	July 15, 2022	Dania Beach, Florida	12,979
Flamingo Falls	July 15, 2022	Pembroke Pines, Florida	32,946
Northlake Commons	July 15, 2022	Palm Beach, Florida	21,065
Countryside Shoppes	July 15, 2022	Naples, Florida	12,979
Creekwood Crossing	July 15, 2022	Bradenton, Florida	34,942
Skyview Plaza	July 15, 2022	Orlando, Florida	33,040
Riverstone Plaza	July 15, 2022	Canton, Georgia	54,410
Fayetteville Pavilion	July 15, 2022	Fayetteville, North Carolina	41,831
Clayton Corners	July 15, 2022	Clayton, North Carolina	23,461
Apple Blossom Corners	July 15, 2022	Winchester, Virginia	36,939
Hillard Rome Commons	July 15, 2022	Columbus, Ohio	16,722
Riverdale Shops	July 15, 2022	West Springfield, Massachusetts	46,923
<b>Total</b>			<b>\$ 424,506</b>

The net property acquired for these acquisitions are as follows:

Purchase price	\$ 424,506
Transaction costs	5,716
Properties	430,222
Working capital items	(7,719)
<b>Total</b>	<b>\$ 422,503</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### Disposition

The REIT disposed of one property outparcel during the nine month period ended September 30, 2022 as follows:

Property	Number of outparcels	Disposition date	Location	Sales price
East Little Creek	1	August 29, 2022	Norfolk, Virginia	\$ 2,000
Sales price				\$ 2,000
Repayment of mortgage				(1,175)
Disposition costs				(248)
Working capital items				(39)
<b>Total</b>				<b>\$ 538</b>

## 5. PROPERTIES

On September 30, 2022, the REIT owned 121 properties, of which, 107 are in entities consolidated by the REIT. The remaining 14 properties are accounted as joint venture investments (note 6) and not included in the table below. The change in properties is as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Beginning of the period		\$ 1,722,854	\$ 1,418,968	\$ 1,608,655	\$ 1,277,180
Acquisitions	4	392,280	178,979	430,222	234,088
Capital expenditures		1,473	1,653	4,789	3,450
Leasing costs		391	492	985	1,069
Tenant improvements		321	64	1,660	1,475
Development and expansion capital		3,650	3,643	8,779	21,005
Straight-line rent		254	8	63	449
Dispositions	4	(2,000)	—	(2,000)	(4,100)
IFRIC 21 property tax adjustment		6,333	4,227	(4,660)	(3,892)
Change in fair value		1,442	6	78,505	77,316
<b>End of the period</b>		<b>\$ 2,126,998</b>	<b>\$ 1,608,040</b>	<b>\$ 2,126,998</b>	<b>\$ 1,608,040</b>

Valuation assumptions used to estimate the fair value of all of the REIT's properties are as follows:

	September 30, 2022 <sup>1</sup>	December 31, 2021 <sup>1</sup>
Capitalization rate range	5.50% – 8.75%	5.75% – 13.00%
Weighted average capitalization rate	6.76%	7.10%
Impact on fair value due to a 25 basis point change in capitalization rates	\$ 92,061	\$ 68,995
Impact on fair value due to a \$100,000 change in underlying annual stabilized income	\$ 1,478	\$ 1,408

<sup>1</sup> Includes the REIT's share of joint venture investments.

Under the fair value hierarchy, the fair value of the REIT's properties is determined primarily using the overall income capitalization method using level 3 inputs. The REIT uses the sales price when a firm contract for the sale of a property exists. The fair value of properties reflects the REIT's best estimates as at September 30, 2022.



## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 6. JOINT VENTURE INVESTMENTS

The REIT accounts for its joint venture investments using the equity method. The table below summarizes the REIT's investment in joint ventures:

Portfolio	Anchors	State	September 30, 2022		December 31, 2021	
			Number of properties	Ownership interest	Number of properties	Ownership interest
Tom Thumb Portfolio	Tom Thumb, Walmart, and Raley's	Texas, Florida, and California	10	90% – 95%	10	90% – 95%
Other Grocery Portfolio	Stop & Shop, Price Chopper, Acme Markets, and Strack & Van Til	New York and Indiana	4	85%	4	85%
Other	Kroger	Michigan	1	50%	1	50%

The change in the REIT's joint venture investments are as follows:

				September 30, 2022	December 31, 2021
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total
Beginning of the period	\$ 46,708	\$ 37,712	\$ 2,884	\$ 87,304	\$ 3,474
Initial investment	—	—	—	—	56,773
Working capital contributions	—	—	—	—	10,672
<b>Net cost of equity investment</b>	<b>\$ 46,708</b>	<b>\$ 37,712</b>	<b>\$ 2,884</b>	<b>\$ 87,304</b>	<b>\$ 70,919</b>
Distributions	(3,080)	(2,762)	—	(5,842)	(4,104)
Share of income in joint venture investments	18,155	11,860	941	30,956	20,489
<b>End of the period</b>	<b>\$ 61,783</b>	<b>\$ 46,810</b>	<b>\$ 3,825</b>	<b>\$ 112,418</b>	<b>\$ 87,304</b>

The financial position of the REIT's joint venture investments are as follows:

				September 30, 2022	December 31, 2021
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total
<b>Assets</b>					
Property	\$ 185,047	\$ 154,824	\$ 20,600	\$ 360,471	\$ 336,450
Other non-current assets	—	1,179	—	1,179	4,167
Current assets	8,920	4,000	2,930	15,850	10,003
<b>Total assets</b>	<b>\$ 193,967</b>	<b>\$ 160,003</b>	<b>\$ 23,530</b>	<b>\$ 377,500</b>	<b>\$ 350,620</b>
<b>Liabilities</b>					
Debt	\$ 124,202	\$ 101,546	\$ 14,963	\$ 240,711	\$ 196,978
Other non-current liabilities	3	604	27	634	1,456
Current liabilities	3,627	2,782	888	7,297	52,095
<b>Total liabilities</b>	<b>\$ 127,832</b>	<b>\$ 104,932</b>	<b>\$ 15,878</b>	<b>\$ 248,642</b>	<b>\$ 250,529</b>
<b>Net assets at 100%</b>	<b>\$ 66,135</b>	<b>\$ 55,071</b>	<b>\$ 7,652</b>	<b>\$ 128,858</b>	<b>\$ 100,091</b>
<b>At the REIT's interest<sup>1</sup></b>	<b>\$ 61,783</b>	<b>\$ 46,810</b>	<b>\$ 3,825</b>	<b>\$ 112,418</b>	<b>\$ 87,304</b>

<sup>1</sup> Excludes non-controlling interests. of others.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The following is a summary of income of the REIT's joint venture investments:

	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Three months ended September 30,	
				2022	2021
Rental revenue	\$ 4,743	\$ 4,128	\$ 534	\$ 9,405	\$ 1,249
Property operating expenses	(819)	(785)	(67)	(1,671)	(425)
General and administrative expenses	(87)	(158)	—	(245)	(52)
Interest and finance costs	(1,050)	(1,023)	(128)	(2,201)	(375)
Change in fair value of financial instruments	—	695	—	695	63
Change in fair value of property	(1,683)	2,311	(346)	282	(4,088)
<b>Net income and comprehensive income at 100%</b>	<b>\$ 1,104</b>	<b>\$ 5,168</b>	<b>\$ (7)</b>	<b>\$ 6,265</b>	<b>\$ (3,628)</b>
<b>At the REIT's interest<sup>1</sup></b>	<b>\$ 971</b>	<b>\$ 4,392</b>	<b>\$ (4)</b>	<b>\$ 5,359</b>	<b>\$ (3,318)</b>

<sup>1</sup> Excludes the impact of non-controlling interests.

	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Nine months ended September 30,	
				2022	2021
Rental revenue	\$ 13,076	\$ 12,935	\$ 1,632	\$ 27,643	\$ 2,319
Property operating expenses	(4,727)	(5,506)	(677)	(10,910)	(729)
General and administrative expenses	(312)	(505)	(5)	(822)	(60)
Interest and finance costs	(3,018)	(2,375)	(387)	(5,780)	(597)
Change in fair value of financial instruments	—	2,023	—	2,023	63
Change in fair value of property	14,474	7,382	1,319	23,175	(4,600)
<b>Net income and comprehensive income at 100%</b>	<b>\$ 19,493</b>	<b>\$ 13,954</b>	<b>\$ 1,882</b>	<b>\$ 35,329</b>	<b>\$ (3,604)</b>
<b>At the REIT's interest<sup>1</sup></b>	<b>\$ 18,155</b>	<b>\$ 11,860</b>	<b>\$ 941</b>	<b>\$ 30,956</b>	<b>\$ (3,306)</b>

<sup>1</sup> Excludes the impact of non-controlling interests.

#### Dispositions

On April 12, 2022, the REIT disposed of a non-core outparcel in the Tom Thumb Portfolio at Heritage Heights, in Grapevine, Texas, at a sale price of \$0.9 million.

#### Debt refinancing

On June 13, 2022, the REIT refinanced the mortgage loan in relation to the Other Grocery Portfolio for \$46.5 million. The mortgage bears interest at 4.56% and matures on July 1, 2027.

On September 30, 2021, the REIT refinanced the mortgage loan in relation to the Other Grocery Portfolio for \$19.2 million. The mortgage bears interest at 3.75% and matures on October 1, 2026.

On July 2, 2021, the REIT refinanced the first mortgage loan in relation to the Kroger Portfolio of \$15.5 million. The mortgage bears interest at 3.05% and matures on August 1, 2026.

#### Management fees

Pursuant to the terms of the property management and leasing agreement and the development services agreement the REIT provides property, leasing and development management services for its Kroger joint venture investment located in Michigan. In return for its services, the REIT receives the following fees:

- property management fees calculated based on gross income of each tenant;
- development fees for the management of the construction in adherence with the property's development plan; and
- leasing commissions for all executed leases.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### 7. OTHER ASSETS

Other assets are comprised of the following:

	September 30, 2022	December 31, 2021
<b>Current</b>		
TIF notes receivable	\$ 396	\$ 427
Funds held in escrow <sup>1</sup>	1,963	2,889
Other <sup>2</sup>	433	119
	<b>\$ 2,792</b>	<b>\$ 3,435</b>
<b>Non-current</b>		
TIF notes receivable	\$ 1,018	\$ 1,421
Funds held in escrow	25	25
	<b>\$ 1,043</b>	<b>\$ 1,446</b>
<b>Total</b>	<b>\$ 3,835</b>	<b>\$ 4,881</b>

<sup>1</sup>Primarily includes funds held for property tax reserves.

<sup>2</sup>Other primarily includes deposits and transaction costs.

TIF notes receivable are issued by the City of St. Paul and by the City of Brainerd in Minnesota, related to the REIT's Phalen Retail Center and East Brainerd Mall properties, respectively. The TIF notes obligate each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

#### 8. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30, 2022	December 31, 2021
Rent receivable	\$ 7,989	\$ 6,742
Allowance	(1,176)	(1,181)
Accrued recovery income	8,481	5,122
Other receivables	10,636	6,890
<b>Total</b>	<b>\$ 25,930</b>	<b>\$ 17,573</b>

Rent receivable consists of base rent and operating expense recoveries billed to tenants. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the year in which they were incurred. Other receivables is primarily comprised of the gross amount of consideration for property taxes paid directly by tenants.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The change in the allowance is as follows:

	Nine months ended September 30,	
	2022	2021
Beginning of the period	\$ (1,181)	\$ (852)
Allowance	(645)	(751)
Bad debt write-off	304	202
Bad debt recovery	346	371
<b>End of the period</b>	<b>\$ (1,176)</b>	<b>\$ (1,030)</b>

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of not credit-impaired rent receivable, net of allowance, is as follows:

	September 30, 2022	December 31, 2021
Current to 30 days	\$ 3,016	\$ 3,151
31 to 60 days	373	981
61 to 90 days	27	144
Greater than 90 days	3,397	1,285
<b>Total</b>	<b>\$ 6,813</b>	<b>\$ 5,561</b>

## 9. DEBT

Debt held by the REIT at September 30, 2022 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn <sup>1</sup>
Revolver <sup>12</sup>	March 21, 2024	Two six-month	S+195 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 163,685	\$ 136,315
Term loan <sup>1</sup>	March 21, 2025	None	S+185 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 2 <sup>1</sup>	February 9, 2023	None	S+185 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	83,000	83,000	—
Term loan 3 <sup>1</sup>	July 15, 2027	None	S+185 bps <sup>3,4</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	150,778	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	107,900	40,399	40,399	—
Mortgage	July 1, 2025	None	4.14%	5	85,300	35,687	35,687	—
Mortgage	August 1, 2025	None	4.43%	1	13,222	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	158,800	79,278	79,278	—
Mortgage	January 1, 2031	None	5.50%	1	23,700	6,059	6,059	—
Mortgage	May 1, 2031	None	3.75%	19	320,800	163,992	163,992	—
<b>Total</b>						<b>\$ 1,320,065</b>	<b>\$ 1,183,750</b>	<b>\$ 136,315</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

Debt held by the REIT at December 31, 2021 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn <sup>1</sup>
Revolver <sup>12</sup>	March 21, 2024	Two six-month	L+205 bps <sup>36</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 191,853	\$ 108,147
Term loan <sup>1</sup>	March 21, 2025	None	L+195 bps <sup>36</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 2 <sup>1</sup>	February 9, 2023	None	L+195 bps <sup>36</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	83,000	83,000	—
Mortgage	December 6, 2024	None	4.03%	11	146,556	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	84,500	41,249	41,249	—
Mortgage	July 1, 2025	None	4.14%	5	82,900	38,293	38,293	—
Mortgage	August 1, 2025	None	4.43%	1	11,222	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	152,800	80,547	80,547	—
Mortgage	January 1, 2031	None	5.50%	1	23,000	6,480	6,480	—
Mortgage	May 1, 2031	None	3.75%	19	303,200	166,385	166,385	—
<b>Total</b>						<b>\$ 1,052,604</b>	<b>\$ 944,457</b>	<b>\$ 108,147</b>

<sup>1</sup> Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value (the "consolidated leverage ratio"). The calculation of the consolidated leverage ratio is provided in note 22. The revolver, term loan, term loan 2, and term loan 3 provide for different spreads over one-month secured overnight financing rate ("SOFR") (December 31, 2021 – one-month U.S. LIBOR) depending on the consolidated leverage ratio.

<sup>2</sup> The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>3</sup> "S" means SOFR, "L" means LIBOR, and "bps" means basis points.

<sup>4</sup> The applicable spread for the revolver where the consolidated leverage ratio is: (i) less than or equal to 45% is 145 bps; (ii) greater than 45% but less than or equal to 50% is 155 bps; (iii) greater than 50% but less than or equal to 55% is 170 bps (iv) greater than 55% but less than or equal to 60% is 195 bps; and (v) greater than 60% is 215 bps, and includes a 10 bps SOFR index adjustment. The applicable spread for the term loan, term loan 2 and term loan 3 where the consolidated leverage ratio is: (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 150 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (v) greater than 60% is 205 bps, and includes a 10 bps SOFR index adjustment.

<sup>5</sup> The revolver, term loan, term loan 2 and term loan 3 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 59 of the REIT's properties at September 30, 2022 (December 31, 2021 – 45 of the REIT's properties).

<sup>6</sup> The applicable spread for the revolver where the consolidated leverage ratio is: (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (v) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is: (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (v) greater than 60% is 195 bps.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The carrying value of debt held by the REIT at September 30, 2022 is as follows:

	Effective rate <sup>1</sup>	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments and costs <sup>2</sup>	Carrying amount	Current	Non-current
Revolver	4.13%	\$ 163,685	\$ (1,829)	\$ 1,136	\$ 162,992	\$ —	\$ 162,992
Term loan	4.06%	225,000	(1,377)	676	224,299	—	224,299
Term loan 2	4.06%	83,000	(2,285)	2,122	82,837	82,837	—
Term loan 3	4.06%	275,000	(3,380)	88	271,708	—	271,708
Mortgage	4.03%	103,950	570	(182)	104,338	—	104,338
Mortgage	3.80%	40,399	(1,549)	1,173	40,023	1,172	38,851
Mortgage	4.14%	35,687	(1,079)	846	35,454	1,978	33,476
Mortgage	4.43%	7,700	78	(17)	7,761	—	7,761
Mortgage	3.48%	79,278	(1,562)	334	78,050	1,744	76,306
Mortgage	5.50%	6,059	127	(26)	6,160	589	5,571
Mortgage	3.75%	163,992	(3,133)	560	161,419	3,297	158,122
<b>Total</b>		<b>\$ 1,183,750</b>	<b>\$ (15,419)</b>	<b>\$ 6,710</b>	<b>\$ 1,175,041</b>	<b>\$ 91,617</b>	<b>\$ 1,083,424</b>

The carrying value of debt held by the REIT at December 31, 2021 is as follows:

	Effective rate <sup>1</sup>	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments and costs <sup>2</sup>	Carrying amount	Current	Non-current
Revolver	2.02%	\$ 191,853	\$ (1,829)	\$ 798	\$ 190,822	\$ —	\$ 190,822
Term loan	1.92%	225,000	(1,377)	475	224,098	—	224,098
Term loan 2	1.92%	83,000	(2,285)	1,789	82,504	—	82,504
Mortgage	4.03%	103,950	636	(49)	104,537	—	104,537
Mortgage	3.80%	41,249	(1,549)	1,036	40,736	1,139	39,597
Mortgage	4.14%	38,293	(1,079)	779	37,993	1,917	36,076
Mortgage	4.43%	7,700	12	(1)	7,711	—	7,711
Mortgage	3.48%	80,547	(1,562)	234	79,219	1,699	77,520
Mortgage	5.50%	6,480	127	(19)	6,588	566	6,022
Mortgage	3.75%	166,385	(3,133)	284	163,536	3,205	160,331
<b>Total</b>		<b>\$ 944,457</b>	<b>\$ (12,039)</b>	<b>\$ 5,326</b>	<b>\$ 937,744</b>	<b>\$ 8,526</b>	<b>\$ 929,218</b>

<sup>1</sup> The effective interest rate for the revolver, term loan, term loan 2 and term loan 3 includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. The revolver, term loan, term loan 2 and term loan 3 effective rates are based on the applicable one-month SOFR (December 31, 2021 – one-month U.S. LIBOR) rate under borrowings as at September 30, 2022.

<sup>2</sup> Excludes the impact of any available extension options not yet exercised.

During the nine month period ended September 30, 2022, the REIT made repayments, net of drawdowns totaling \$35.7 million on the REIT's existing revolver and mortgages.

On July 15, 2022, the REIT entered into a \$275 million term loan, with a 5-year term bearing interest at 175 basis points, subject to certain covenants over adjusted one-month SOFR plus. The proceeds from the term loan were used to fund acquisitions during the third quarter of 2022 and reduce borrowings on the revolving credit facility.

On July 15, 2022, the REIT amended the interest rate benchmark from one-month LIBOR to one-month SOFR for its revolving credit facility, term loan and term loan 2 totaling \$608 million.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

On September 22, 2021, as a part of the acquisition of the Tops Portfolio, the REIT assumed a \$104.5 million five-year mortgage, bearing interest at 4.03%, as well as a \$7.7 million six-year mortgage, bearing interest at 4.43%.

On January 14, 2021, the REIT entered into a \$169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's term loan to \$83.0 million.

#### 10. INTEREST RATE SWAPS

The REIT has entered into certain pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly SOFR based interest payments on the REIT's floating rate debt.

The terms of the interest rate swaps are as follows:

					<b>Total/ Weighted average</b>
Pay-fixed rate	2.765%	2.822%	2.400%	2.650%	<b>2.675%</b>
Notional amount	\$ 175,000	\$ 175,000	\$ 137,500	\$ 137,500	<b>\$ 625,000</b>
Receive-floating rate	One-month SOFR	One-month SOFR	One-month SOFR	One-month SOFR	
Maturity date	August 22, 2023	August 22, 2025	July 22, 2027 <sup>1</sup>	July 22, 2027	
Remaining term (years)	0.9	2.9	4.8	4.8	<b>3.2</b>

<sup>1</sup> The \$137.5 million interest rate swap with a pay-fixed rate of 2.4% contains a one-time cancellation option by the REIT's counterparty on July 24, 2025.

On July 15, 2022, the REIT entered into two pay-fixed, receive-float interest swap contracts to hedge the cash flow risk associated with monthly SOFR based interest payments, totaling \$275 million.

On August 4, 2022, the REIT amended the interest rate benchmark from one-month LIBOR to one-month SOFR for its existing interest rate swaps. There is no economic impact on the financial statements of the REIT as a result of the amendment.

On January 14, 2021, in conjunction with the REIT's \$169.0 million mortgage transaction, the REIT terminated its \$150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.57%.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact during the three and nine month periods ended September 30, 2022 is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, June 30, 2022		\$ 354	\$ (90)	\$ 264
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		18,118	(3,689)	14,429
Net payments made	17	503	(129)	374
<b>Balance, September 30, 2022</b>		<b>\$ 18,975</b>	<b>\$ (3,908)</b>	<b>\$ 15,067</b>

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2021		\$ (18,936)	\$ 4,867	\$ (14,069)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		32,646	(7,422)	25,224
Net payments made	17	5,265	(1,353)	3,912
<b>Balance, September 30, 2022</b>		<b>\$ 18,975</b>	<b>\$ (3,908)</b>	<b>\$ 15,067</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, June 30, 2021		\$ (27,870)	\$ 7,179	\$ (20,691)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		(21)	15	(6)
Net payments made	17	2,856	(737)	2,119
<b>Balance, September 30, 2021</b>		<b>\$ (25,035)</b>	<b>\$ 6,457</b>	<b>\$ (18,578)</b>

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2020		\$ (37,009)	\$ 9,550	\$ (27,459)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		(137)	20	(117)
Cumulative gain arising on cash flow hedges to profit or loss		3,727	(958)	2,769
Net payments made	17	8,384	(2,155)	6,229
<b>Balance, September 30, 2021</b>		<b>\$ (25,035)</b>	<b>\$ 6,457</b>	<b>\$ (18,578)</b>

#### Foreign exchange forward

The REIT entered into a foreign exchange transaction on March 25, 2021 to sell C\$127.6 million at an exchange rate of 1.2633 and purchase U.S. dollars. On September 21, 2021, the REIT settled the forward for a net gain of \$1.0 million which is recorded in the statement of net income.

#### 11. REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

At September 30, 2022, the REIT has the following REIT units issued and outstanding, in thousands of units:

	Class A	Class I	Class U
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	147	18	60,205

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32").

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. Subsidiary of the REIT, GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as any other REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the "conversion date"), into class U units by giving written notice to the REIT. On the applicable conversion date, the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

#### Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable at the option of the holder, for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.



## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

Exchangeable units of subsidiaries are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income as unit expense.

#### At the Market Program

On March 30, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to \$150.0 million of class U units of the REIT to the public from time to time through an agent. Distributions pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated March 30, 2022 entered into among the REIT and the agent. The ATM program will be effective until April 28, 2024, unless terminated in accordance with the terms of the equity distribution agreement. As at September 30, 2022, the REIT issued a total of 1.4 million class U units of the REIT under the ATM program at an average share price of C\$16.95 (USD\$13.59) for proceeds, net of costs of \$18.1 million.

#### Subscription receipts

On March 31, 2021, the REIT completed a bought deal public offering of 11,420,000 subscription receipts of the REIT at a price of C\$11.65 per subscription receipt, for gross proceeds of C\$133.0 million. On September 22, 2021, one class U unit of the REIT was issued in exchange for each subscription receipt, without payment of additional consideration. The unit holders of the subscription receipts, on the date upon which the subscription receipts were exchanged for units of the REIT, received cash distribution equivalent payment of \$0.43 being equal to the amount per REIT unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including March 31, 2021 and September 22, 2021. The cash distribution equivalent payment of \$4.93 million has been recorded in interest and finance costs in the 2021 year.

The subscription receipts, which are classified as a financial liability were measured at fair value on initial recognition. Subsequent to initial recognition, the subscription receipts have been designated as fair value through profit or loss. As a result, a fair value gain of \$0.1 million was recognized at March 31, 2021.

#### Normal course issuer bid

The REIT had a normal course issuer bid ("NCIB") in place between May 26, 2020 to May 26, 2021. No class U units were purchased and subsequently canceled under the NCIB.

REIT units and exchangeable units of subsidiaries outstanding during the period and their respective class U equivalent amounts if converted is as follows, in thousands of units:

Class / type	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
	U	A	I	LP1	LP2	GAR B	
Balance, December 31, 2021	58,342	148	282	28	920	132	59,852
Issued	1,425	—	—	—	—	—	1,425
Exchanged	438	(1)	(264)	—	(173)	—	—
<b>Class U units equivalent, September 30, 2022</b>	<b>60,205</b>	<b>147</b>	<b>18</b>	<b>28</b>	<b>747</b>	<b>132</b>	<b>61,277</b>

Class / type	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
	U	A	I	SG1	SG2	GAR B	
Balance, December 31, 2020	46,865	205	282	28	920	132	48,432
Issued	11,420	—	—	—	—	—	11,420
Exchanged	52	(52)	—	—	—	—	—
<b>Class U units equivalent, September 30, 2021</b>	<b>58,337</b>	<b>153</b>	<b>282</b>	<b>28</b>	<b>920</b>	<b>132</b>	<b>59,852</b>

The change in the carrying amount of exchangeable units of subsidiaries is as follows:

	Nine months ended September 30,	
	2022	2021
Beginning of the period	\$ 12,302	\$ 9,566
Exchanged	(2,140)	—
Change in fair value	(1,575)	1,462
<b>End of the period</b>	<b>\$ 8,587</b>	<b>\$ 11,028</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### Deferred unit plans ("DUP")

Trustees of the REIT who are not members of management may elect to receive all or a portion of their trustee fees in the form of deferred units that vest immediately upon grant.

The REIT also offers DUP for officers of the REIT whereby officers may elect to receive deferred class U units, which represent a right to receive class U units, in lieu of an equivalent amount of asset management fees for management services rendered by Slate Asset Management (Canada) L.P. (the "Manager").

The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units.

The change in deferred units is as follows, in thousands of units:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Beginning of the period	178	188	208	165
Reinvested distributions	5	4	11	10
Issued	5	6	24	23
Redeemed	—	—	(55)	—
<b>End of the period</b>	<b>188</b>	<b>198</b>	<b>188</b>	<b>198</b>
<b>Fair value of units<sup>1</sup></b>	<b>\$ 1,778</b>	<b>\$ 2,031</b>	<b>\$ 1,778</b>	<b>\$ 2,031</b>

<sup>1</sup> At the respective period end date.

#### Weighted average class U units outstanding

The following is the weighted average number of class U units outstanding on a fully diluted basis, in thousands of units:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Class U units	60,067	48,034	59,441	47,290
Class A units	147	153	147	157
Class I units	156	282	239	282
Exchangeable units of subsidiaries	907	1,080	955	1,080
Deferred units	183	193	194	182
<b>Total</b>	<b>61,460</b>	<b>49,742</b>	<b>60,976</b>	<b>48,991</b>

#### Class U units outstanding

The following is the total number of class U units outstanding, if all other units of the REIT, its subsidiaries, and its DUP, were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	September 30, 2022	December 31, 2021
Class U units	60,205	58,342
Class A units	147	148
Class I units	18	282
Exchangeable units of subsidiaries	907	1,080
Deferred units	188	208
<b>Total</b>	<b>61,465</b>	<b>60,060</b>

## 12. INCOME TAXES

The REIT qualifies as a mutual fund trust for Canadian income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in Investment L.P. and Investment Inc and GAR (1B).

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

Investment L.P. and GAR B made an election to be classified as corporations for U.S. federal tax purposes. Investment L.P. and GAR B are subject to U.S. federal and state income taxation on their allocable shares in Slate Grocery One L.P. ("LP1"), a subsidiary of the REIT, and any subsidiary limited partnership thereof.

Investment Inc. is a U.S. corporation formed in the state of Delaware. It is subject to federal and state income taxation on its allocable share in Slate Grocery Investment US L.P., a subsidiary of the REIT, and any subsidiaries thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships and corporate, on a net basis taking into account allowable deductions. Investment L.P. and GAR B are each subject to a combined federal and state income tax rate of 25.58% (December 31, 2021 – 25.70%). Investment Inc. is subject to a combined federal and state income tax rate of 25.12% (December 31, 2021 – 25.11%). To the extent U.S. taxes are paid by Investment L.P., GAR B and Investments Inc. such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

Total taxes paid as of September 30, 2022 was \$1.5 million (September 30, 2021 - \$2.7 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

#### 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$ 28,837	\$ 12,776
Prepaid rent	6,803	5,236
Tenant improvements payable	7,523	5,823
Taxes payable	1,641	310
Other payables	6,963	5,894
<b>Total</b>	<b>\$ 51,767</b>	<b>\$ 30,039</b>

Included in accounts payable and accrued liabilities are operating expenses, property taxes, and capital and leasing expenses. Other payables include trustee fees, accrued interest payable and other non-operating items.

#### 14. NON-CONTROLLING INTEREST

On July 15, 2022, the REIT established a partnership with the North America Essential Fund ("NA Essential Fund"), a vehicle with management services provided by the Manager. The NA Essential Fund has made an initial cash investment of \$180 million indirectly into the REIT's assets through the purchase of a 18.37% partnership interest in two of the REIT's subsidiaries, LP1 and Slate Grocery Investment US LP ("SGIUSLP"). The non-controlling interest in SGIUSLP includes the proportionate interest in the Tops Portfolio.

On September 22, 2021, the REIT acquired all of the rights and obligations relating to the management of a grocery anchored portfolio comprising 11 properties and 1.3 million square feet in major metro markets in New York, Ohio, and Georgia. As a result of the acquisition of the management rights and other factors it was determined that the REIT obtained control with respect to its investment in Tops Portfolio. The operational results of these properties have been included in these consolidated financial statements from the date of acquisition.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The REIT measures non-controlling interests in its subsidiaries at cost. The net assets attributable to the non-controlling interest and the REIT are as follows:

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Property	\$ 2,090,399	\$ 157,556
Other non-current assets	131,993	—
Current assets	57,693	6,466
<b>Total assets</b>	<b>\$ 2,280,085</b>	<b>\$ 164,022</b>
<b>Liabilities</b>		
Debt	\$ 1,083,424	\$ 112,248
Other non-current liabilities	20,595	—
Current liabilities	138,457	2,761
<b>Total liabilities</b>	<b>\$ 1,242,476</b>	<b>\$ 115,009</b>
<b>Net assets</b>	<b>\$ 1,037,609</b>	<b>\$ 49,013</b>
<b>Net assets attributable to</b>		
Unitholders of the REIT	\$ 847,476	\$ 44,112
Non-controlling interest	\$ 190,133	\$ 4,901

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The income attributable to the non-controlling interest and the REIT is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Rental revenue	\$ 41,308	\$ 789	\$ 51,574	\$ 789
Property operating expenses	(6,599)	(70)	(12,900)	(70)
General and administrative expenses	(2,269)	(22)	(2,357)	(22)
Interest and finance costs	(11,005)	(108)	(13,182)	(108)
Transaction costs	(212)	—	(212)	—
Change in fair value of property	(226)	4,199	9,737	4,199
Exchange Unit Distributions	(156)	—	(156)	—
Share of income in joint venture investments	5,987	—	5,987	—
Change in fair value of exchangeable units of subsidiaries	1,201	—	1,201	—
Current income tax recovery (expense)	3	—	(17)	—
Deferred income tax recovery (expense)	676	—	(3,469)	—
<b>Net income</b>	<b>\$ 28,708</b>	<b>\$ 4,788</b>	<b>\$ 36,206</b>	<b>\$ 4,788</b>
<b>Net income attributable to</b>				
Unitholders of the REIT	\$ 23,192	\$ 4,309	\$ 29,940	\$ 4,309
Non-controlling interest	\$ 5,516	\$ 479	\$ 6,266	\$ 479
Net income	\$ 28,708	\$ 4,788	\$ 36,206	\$ 4,788
Items to be subsequently reclassified to profit or loss				
Gain on cash flow hedges of interest rate risk, net of tax	15,361	—	15,361	—
Reclassification of cash flow hedges of interest rate risk to income	426	—	426	—
Other comprehensive income	15,787	—	15,787	—
<b>Comprehensive income</b>	<b>\$ 44,495</b>	<b>\$ 4,788</b>	<b>\$ 51,993</b>	<b>\$ 4,788</b>
<b>Comprehensive income attributable to</b>				
Unitholders of the REIT	\$ 36,079	\$ 4,309	\$ 42,827	\$ 4,309
Non-controlling interest	\$ 8,416	\$ 479	\$ 9,166	\$ 479

## 15. REVENUE

Revenue is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Rental revenue	\$ 36,298	\$ 25,431	\$ 95,221	\$ 74,338
Common area maintenance recoveries	3,778	3,193	10,475	9,402
Property tax and insurance recoveries	6,729	4,755	18,215	13,832
Percentage rent	52	63	326	384
Other revenue <sup>1</sup>	1,547	637	2,593	1,971
<b>Total</b>	<b>\$ 48,404</b>	<b>\$ 34,079</b>	<b>\$ 126,830</b>	<b>\$ 99,927</b>

<sup>1</sup> Other revenue includes straight-line rent, ground rent, termination fees, storage rent, and non-rental income.

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and property tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements, which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The REIT's existing leases have a weighted average outstanding term of 4.7 years (December 31, 2021 – 4.7 years) certain of which include clauses to enable periodic increases in rental rates.

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

	September 30, 2022	December 31, 2021
In one year or less	\$ 167,673	\$ 136,596
In more than one year but not more than five years	424,541	353,108
In more than five years	191,170	165,471
<b>Total</b>	<b>\$ 783,384</b>	<b>\$ 655,175</b>

#### 16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Asset management fees	24	\$ 2,098	\$ 1,574	\$ 5,981	\$ 4,424
Professional fees and other		1,048	735	3,503	2,145
Bad debt expense		287	150	774	489
Franchise and business taxes		52	90	624	313
<b>Total</b>		<b>\$ 3,485</b>	<b>\$ 2,549</b>	<b>\$ 10,882</b>	<b>\$ 7,371</b>

#### 17. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Interest on debt and finance charges	9	\$ 11,748	\$ 5,619	\$ 26,657	\$ 16,503
Interest rate swaps, net settlement	10	503	2,856	5,264	8,650
Interest income		(15)	(9)	(24)	(26)
Amortization of finance charges and MTM premium	9	536	465	1,384	1,505
Amortization of deferred gain on TIF notes		(22)	(22)	(66)	(66)
Subscription receipts equivalent amount		—	4,933	—	4,933
<b>Total</b>		<b>\$ 12,750</b>	<b>\$ 13,842</b>	<b>\$ 33,215</b>	<b>\$ 31,499</b>

#### 18. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments is comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Interest rate swaps	10	\$ —	\$ —	\$ —	\$ 3,727
Subscription receipts	10	—	(1,239)	—	(13,839)
Foreign exchange forward contract	10	—	3,341	—	927
<b>Total</b>		<b>\$ —</b>	<b>\$ 2,102</b>	<b>\$ —</b>	<b>\$ (9,185)</b>

#### 19. TRANSACTION COSTS

Transaction costs for the nine month period ended September 30, 2022 were \$0.3 million (nine month period ended September 30, 2021 – \$0.2 million), and primarily relate to costs of the disposition of property outparcels.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### 20. UNIT EXPENSE (INCOME)

Unit expense (income) is comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Exchangeable units of subsidiaries distributions	11	\$ 196	\$ 233	\$ 613	\$ 699
Change in fair value of DUP		(395)	(24)	(900)	55
Change in fair value of exchangeable units of subsidiaries	11	(1,659)	(176)	(1,575)	1,462
<b>Total</b>		<b>\$ (1,858)</b>	<b>\$ 33</b>	<b>\$ (1,862)</b>	<b>\$ 2,216</b>

#### Unit distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the board of trustees.

The following table summarizes the REIT's distributions and reconciliation to distributions paid or settled:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Declared</b>					
REIT unit distributions		\$ 13,040	\$ 11,050	\$ 38,785	\$ 31,507
Exchangeable units of subsidiaries distributions	11	196	233	613	699
		<b>\$ 13,236</b>	<b>\$ 11,283</b>	<b>\$ 39,398</b>	<b>\$ 32,206</b>
Add: Distributions payable, beginning of period		4,412	3,487	4,309	3,487
Less: Distributions payable, end of period		(4,412)	(4,309)	(4,412)	(4,309)
<b>Distributions paid</b>		<b>\$ 13,236</b>	<b>\$ 10,461</b>	<b>\$ 39,295</b>	<b>\$ 31,384</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### 21. FAIR VALUES

Except as noted, the carrying value of financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash.

The carrying amounts and fair values of the REIT's financial instruments are as follows:

	September 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash	\$ 27,608	\$ 27,608	\$ 14,038	\$ 14,038
Accounts receivable	25,930	25,930	17,573	17,573
Interest rate swaps	18,975	18,975	—	—
TIF notes receivable	1,414	1,517	1,848	1,943
Financial assets within other assets <sup>1</sup>	1,988	1,988	2,914	2,914
<b>Total financial assets</b>	<b>\$ 75,915</b>	<b>\$ 76,018</b>	<b>\$ 36,373</b>	<b>\$ 36,468</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ 51,767	\$ 51,767	\$ 30,039	\$ 30,039
Distributions payable	4,412	4,412	4,309	4,309
Interest rate swaps	—	—	18,936	18,936
Revolver	162,992	163,685	190,822	191,853
Term loan	224,299	225,000	224,098	225,000
Term loan 2	82,837	83,000	82,504	83,000
Term loan 3	271,708	275,000	—	—
Mortgages	433,205	437,677	440,320	450,943
Financial liabilities within other liabilities <sup>2</sup>	5,022	5,022	3,142	3,142
Exchangeable units of subsidiaries	8,587	8,587	12,302	12,302
<b>Total financial liabilities</b>	<b>\$ 1,244,829</b>	<b>\$ 1,254,150</b>	<b>\$ 1,006,472</b>	<b>\$ 1,019,524</b>

<sup>1</sup>Relates to funds held in escrow included in other assets.

<sup>2</sup>Relates to rental security deposits included in other liabilities.



## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

The fair value hierarchy of financial assets and financial liabilities is as follows:

September 30, 2022	Level 1		Level 2		Level 3		Total
<b>Financial assets</b>							
Cash	\$	27,608	\$	—	\$	—	\$ 27,608
Accounts receivable		—		25,930		—	25,930
Interest rate swaps		—		18,975		—	18,975
TIF notes receivable		—		—		1,517	1,517
Financial assets within other assets <sup>1</sup>		1,988		—		—	1,988
<b>Total financial assets</b>	<b>\$</b>	<b>29,596</b>	<b>\$</b>	<b>44,905</b>	<b>\$</b>	<b>1,517</b>	<b>\$ 76,018</b>
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	\$	—	\$	51,767	\$	—	\$ 51,767
Distributions payable		—		4,412		—	4,412
Revolver		—		163,685		—	163,685
Term loan		—		225,000		—	225,000
Term loan 2		—		83,000		—	83,000
Term loan 3		—		275,000		—	275,000
Mortgages		—		437,677		—	437,677
Financial liabilities within other liabilities <sup>2</sup>		5,022		—		—	5,022
Exchangeable units of subsidiaries		8,587		—		—	8,587
<b>Total financial liabilities</b>	<b>\$</b>	<b>13,609</b>	<b>\$</b>	<b>1,240,541</b>	<b>\$</b>	<b>—</b>	<b>\$ 1,254,150</b>
<b>December 31, 2021</b>							
	Level 1		Level 2		Level 3		Total
<b>Financial assets</b>							
Cash	\$	14,038	\$	—	\$	—	\$ 14,038
Accounts receivable		—		17,573		—	17,573
TIF notes receivable		—		—		1,943	1,943
Financial assets within other assets <sup>1</sup>		2,914		—		—	2,914
<b>Total financial assets</b>	<b>\$</b>	<b>16,952</b>	<b>\$</b>	<b>17,573</b>	<b>\$</b>	<b>1,943</b>	<b>\$ 36,468</b>
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	\$	—	\$	30,039	\$	—	\$ 30,039
Distributions payable		—		4,309		—	4,309
Interest rate swaps		—		18,936		—	18,936
Revolver		—		191,853		—	191,853
Term loan		—		225,000		—	225,000
Term loan 2		—		83,000		—	83,000
Mortgages		—		450,943		—	450,943
Financial liabilities within other liabilities <sup>2</sup>		3,142		—		—	3,142
Exchangeable units of subsidiaries		12,302		—		—	12,302
<b>Total financial liabilities</b>	<b>\$</b>	<b>15,444</b>	<b>\$</b>	<b>1,004,080</b>	<b>\$</b>	<b>—</b>	<b>\$ 1,019,524</b>

<sup>1</sup>Relates to funds held in escrow included in other assets.

<sup>2</sup>Relates to rental security deposits included in other liabilities.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### 22. CAPITAL MANAGEMENT

The REIT's capital management objectives are to:

- i. ensure compliance with the REIT's Declaration of Trust;
- ii. ensure compliance with restrictions in debt agreements; and
- iii. provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value.

Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures, or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

The REIT considers its debt and equity instruments to be its capital as follows:

	Note	September 30, 2022	December 31, 2021
Debt	9	\$ 1,175,041	\$ 937,744
Exchangeable units of subsidiaries	11	8,587	12,302
Unitholders' equity		930,907	623,921
<b>Total</b>		<b>\$ 2,114,535</b>	<b>\$ 1,573,967</b>

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and is calculated as follows:

	September 30, 2022	December 31, 2021
Gross book value	\$ 2,321,246	\$ 1,737,162
Debt	1,175,041	937,744
<b>Leverage ratio</b>	<b>50.6%</b>	<b>54.0%</b>

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolver, term loan, term loan 2 and term loan 3 are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the respective lending agreement:

	Threshold	September 30, 2022	December 31, 2021
Maximum leverage ratio: Consolidated Total Indebtedness shall not exceed 65% of Gross Asset Value	< 65%	55.4%	61.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x <sup>1</sup>	> 1.50x	2.35x	1.94x

<sup>1</sup> Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, as defined by the Second Amended and Restated Credit Agreement for the revolver and term loan, the Amended Credit Agreement for term loan 2 and the Credit Agreement for Term Loan 3.

#### 23. RISK MANAGEMENT

The REIT's risk management policies are established to identify, analyze, and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT's activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

- i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments and loan arrangements and TIF notes receivables. The risk is mitigated by carrying out appropriate credit checks and related due diligence on the significant tenants.

As of September 30, 2022, one individual tenant accounted for 6.5% (December 31, 2021 – 8.1%) of the REIT's base rent.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT's approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's contractual commitments as at September 30, 2022 are as follows:

	Total contractual cash flow	Remaining in 2022	2023-2024	2025-2026	Thereafter
Accounts payable and accrued liabilities	\$ 51,767	\$ 51,767	\$ —	\$ —	\$ —
Revolver <sup>12</sup>	163,685	—	163,685	—	—
Revolver interest payable <sup>123</sup>	15,026	2,384	12,642	—	—
Term loan <sup>12</sup>	225,000	—	—	225,000	—
Term loan interest payable <sup>12</sup>	32,796	3,192	26,936	2,668	—
Term loan 2 <sup>24</sup>	83,000	—	83,000	—	—
Term loan 2 interest payable <sup>3</sup>	1,704	1,156	548	—	—
Term loan 3 <sup>24</sup>	275,000	—	—	—	275,000
Term loan 3 interest payable	72,075	3,832	32,372	28,501	7,370
Mortgages	438,240	2,163	122,033	90,212	223,832
Mortgage interest payable	86,869	4,214	32,967	18,144	31,544
Exchangeable units of subsidiaries	8,587	—	—	—	8,587
<b>Total</b>	<b>\$ 1,453,749</b>	<b>\$ 68,708</b>	<b>\$ 474,183</b>	<b>\$ 364,525</b>	<b>\$ 546,333</b>

<sup>1</sup> Revolver and term loan interest payable is calculated on \$163.7 million and \$225.0 million (balance outstanding) using an estimated "all in" interest rate of 5.53% and 5.63% respectively under the "Remaining In 2022" column. The revolver and term loan long-term average interest rates are based on the one-month SOFR forward curve plus the specified margin for the SOFR rate option under the term loan resulting in "all-in" interest rate of 6.08% and 5.94%, respectively. The total revolver and term loan interest payable is calculated until maturity of the initial term.

<sup>2</sup> Excludes the impact of the REIT's \$625.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month SOFR based interest payments.

<sup>3</sup> Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>4</sup> Term loan 2 and term loan 3 interest payable is calculated on its balance outstanding at quarter end, using an estimated "all in" interest rate of 5.53% and 5.53%, respectively, under the "Remaining in 2022" column. The long-term average interest rate is based on the one-month SOFR curve plus the specified margin for the SOFR rate option under the term loan 2 and term loan 3 resulting in an anticipated increase to the "all-in" interest rate to 6.18% and 5.48%, respectively. The total term loan 2 and term loan 3 interest payable is calculated until maturity.

The REIT maintains \$8.0 million in cash to satisfy a mortgage covenant that is recorded in the cash balance on the statement of financial position.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

#### Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the revolver, term loan, term loan 2, and term loan 3, interest rate on the loans will vary depending on changes in base rate and/or SOFR rate. The REIT is subject to interest rate risks mainly from non-current debt that has variable interest rate. The REIT manages these cash flow interest rate risks using pay-fixed received-float interest rate swap contracts to swap the floating-rate payments on the credit facility for fixed rate payments.

Assuming all fixed-rate debt remain outstanding, there is no impact to the annual interest expense.

#### Cash flow sensitivity analysis

The interest rate profile of variable rate interest bearing debt and associated interest rate sensitivity to changes in interest rates is as follows:

	September 30, 2022	December 31, 2021
<b>Variable-rate instruments</b>		
Revolver	\$ 163,685	\$ 191,853
Term loan	225,000	225,000
Term loan 2	83,000	83,000
Term loan 3	275,000	—
Effect of interest rate swaps	(625,000)	(450,000)
<b>Total effective variable-rate debt</b>	<b>\$ 121,685</b>	<b>\$ 49,853</b>
<b>Effective fixed rate debt as a total of all debt</b>	<b>89.7%</b>	<b>94.7%</b>
<b>Annual impact of a 25 bps change on interest rates</b>	<b>\$ 304</b>	<b>\$ 125</b>

#### iii. Unit price risk

The REIT is exposed to unit price risk in net income as a result of its exchangeable units of subsidiaries. Exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. Exchangeable units of subsidiaries negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of \$1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of \$0.9 million.

#### iv. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain of the REIT's expenses are denominated in Canadian dollars.

## 24. RELATED PARTIES

Pursuant to the terms of a management agreement as amended on October 1, 2021, the Manager provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT, liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the properties; conducting continuous analysis of market conditions; and advising with respect to the disposition of the properties. In return for its service, the Manager receives the following fees:

- an asset management fee calculated as a percentage of Gross Book Value ("GBV") of the REIT (the "rate"). A rate of 0.40% is applicable to a GBV of up to \$2.0 billion and reduced based on certain GBV increases; and
- an acquisition fee in an amount equal to 0.75% of the gross purchase price of each property (or interest in a property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all properties indirectly acquired by the REIT.

These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's board of trustees. The Manager is a significant unitholder in the REIT, with an approximate 5.6% interest.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited – in thousands of United States dollars, unless otherwise stated)

Fees to the Manager are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Asset management	\$ 2,098	\$ 1,557	\$ 5,981	\$ 4,407
Acquisition	2,403	3,173	2,684	3,583
<b>Total</b>	<b>\$ 4,501</b>	<b>\$ 4,730</b>	<b>\$ 8,665</b>	<b>\$ 7,990</b>

#### Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the three and nine month periods ended September 30, 2022, trustee fees amounted to \$0.1 million and \$0.5 million, respectively (three month period ended September 30, 2021 - \$0.1 million, nine month period ended September 30, 2021 - \$0.4 million).

## 25. SEGMENTS

The REIT has only one reportable segment. The REIT owns and operates properties in the U.S. The REIT identifies each property as an individual operating segment and has aggregated them into a reportable segment based on similarity in the nature of the tenants and operational processes.

## 26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities are as follows:

	Revolver <sup>1</sup>	Term Loan <sup>1</sup>	Term Loan 2 <sup>1</sup>	Term loan 3 <sup>1</sup>	Mortgages	Exchangeable units of subsidiaries	Total
Balance, December 31, 2021	\$ 190,822	\$ 224,098	\$ 82,504	\$ —	\$ 440,320	\$ 12,302	
<b>Cash flows</b>							
Advances, net	98,210	—	—	271,619	—	—	<b>369,829</b>
Debt repayments	(126,378)	—	—	—	(7,539)	—	<b>(133,917)</b>
<b>Non-cash changes</b>							
Amortization of MTM adjustments and costs	338	201	333	89	424	—	<b>1,385</b>
Exchanges	—	—	—	—	—	(2,140)	<b>(2,140)</b>
Change in fair value	—	—	—	—	—	(1,575)	<b>(1,575)</b>
<b>Balance, September 30, 2022</b>	<b>\$ 162,992</b>	<b>\$ 224,299</b>	<b>\$ 82,837</b>	<b>\$ 271,708</b>	<b>\$ 433,205</b>	<b>\$ 8,587</b>	

<sup>1</sup> Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 10 for more detail.

## 27. SUBSEQUENT EVENTS

- i. On October 15, 2022, the REIT declared monthly distributions of \$0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.
- ii. On October 24, 2022, the REIT completed the disposition of Stadium Center, located in Port Huron, Michigan, for \$5.8 million.
- iii. On October 27, 2022, the REIT completed the disposition of Bloomingdale Plaza, located in Brandon, Florida, for \$13.2 million.