

# **Slate Grocery REIT**

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2024

(Unaudited)

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Note	June 30, 2024	December 31, 2023
<b>ASSETS</b>			
Non-current assets			
Properties	5	\$ 2,049,811	\$ 2,062,599
Joint venture investments	6	111,063	107,101
Interest rate swaps	8	14,261	7,652
Other assets		556	718
		<b>\$ 2,175,691</b>	<b>\$ 2,178,070</b>
Current assets			
Cash		21,491	23,587
Accounts receivable	7	22,211	22,172
Other assets		7,083	6,985
Prepays		2,056	4,984
		<b>\$ 52,841</b>	<b>\$ 57,728</b>
<b>Total assets</b>		<b>\$ 2,228,532</b>	<b>\$ 2,235,798</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Debt	9	\$ 593,801	\$ 859,637
Deferred income taxes		150,776	146,651
Other liabilities		3,805	4,346
		<b>\$ 748,382</b>	<b>\$ 1,010,634</b>
Current liabilities			
Debt	9	561,790	302,119
Accounts payable and accrued liabilities	11	40,624	43,217
Exchangeable units of subsidiaries	12	7,264	8,269
Distributions payable	13	4,323	4,323
		<b>\$ 614,001</b>	<b>\$ 357,928</b>
<b>Total liabilities</b>		<b>\$ 1,362,383</b>	<b>\$ 1,368,562</b>
<b>EQUITY</b>			
Unitholders' equity		\$ 685,644	\$ 687,443
Non-controlling interest	14	180,505	179,793
<b>Total equity</b>		<b>\$ 866,149</b>	<b>\$ 867,236</b>
<b>Total liabilities and equity</b>		<b>\$ 2,228,532</b>	<b>\$ 2,235,798</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 June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Rental revenue	15	\$ 51,818	\$ 50,324	\$ 103,733	\$ 101,113
Property operating expenses		(9,134)	(8,835)	(46,734)	(45,752)
General and administrative expenses	16	(3,949)	(3,785)	(7,894)	(7,632)
Interest and finance costs	17	(13,996)	(12,543)	(28,013)	(25,780)
Share of income in joint venture investments	6	2,012	3,790	4,707	5,249
Disposition costs		(290)	—	(290)	—
Change in fair value of financial instruments		272	1,512	2,458	1,512
Change in fair value of properties	5	(11,706)	(10,413)	1,976	(28,293)
<b>Net income before income taxes and unit income</b>		<b>\$ 15,027</b>	<b>\$ 20,050</b>	<b>\$ 29,943</b>	<b>\$ 417</b>
Deferred income tax (expense) recovery	10	(1,570)	(497)	(3,161)	4,127
Current income tax recovery (expense)		221	(737)	(104)	(1,461)
Unit income	18	325	132	937	1,034
<b>Net income</b>		<b>\$ 14,003</b>	<b>\$ 18,948</b>	<b>\$ 27,615</b>	<b>\$ 4,117</b>
<b>Net income attributable to</b>					
Unitholders		\$ 10,776	\$ 14,622	\$ 21,634	\$ 2,522
Non-controlling interest	14	3,227	4,326	5,981	1,595

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Net income		\$ 14,003	\$ 18,948	\$ 27,615	\$ 4,117
Items to be subsequently reclassified to profit or loss					
Gain on effective hedges of interest rate risk, net of tax	8	1,706	6,765	7,466	4,862
Reclassification of other comprehensive income reserve to profit or loss		(143)	(775)	(286)	(775)
Reclassification of effective hedges of interest rate risk to profit or loss	8	(2,176)	(2,098)	(4,377)	(4,228)
Other comprehensive (loss) income		(613)	3,892	2,803	(141)
<b>Comprehensive income</b>		<b>\$ 13,390</b>	<b>\$ 22,840</b>	<b>\$ 30,418</b>	<b>\$ 3,976</b>
<b>Comprehensive income attributed to</b>					
Unitholders		\$ 10,314	\$ 17,553	\$ 23,745	\$ 2,416
Non-controlling interest	14	3,076	5,287	6,673	1,560

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

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Note	REIT units	Retained earnings	Accumulated comprehensive income	Capital reserve	Non-controlling interest	Total
December 31, 2023		\$ 584,769	\$ 96,835	\$ 7,263	\$ (1,424)	\$ 179,793	\$ 867,236
Net income and other comprehensive income		—	21,634	2,111	—	6,673	30,418
Distributions	13	—	(25,544)	—	—	(5,961)	(31,505)
<b>June 30, 2024</b>		<b>\$ 584,769</b>	<b>\$ 92,925</b>	<b>\$ 9,374</b>	<b>\$ (1,424)</b>	<b>\$ 180,505</b>	<b>\$ 866,149</b>

	Note	REIT units	Retained earnings	Accumulated comprehensive income (loss)	Capital reserve	Non-controlling interest	Total
December 31, 2022		\$ 596,701	\$ 133,314	\$ 11,919	\$ (1,424)	\$ 190,592	\$ 931,102
Net loss and other comprehensive income (loss)		—	2,522	(106)	—	1,560	3,976
Distributions	13	—	(25,921)	—	—	(8,348)	(34,269)
Repurchases, net of costs	13	(8,420)	—	—	—	—	(8,420)
<b>June 30, 2023</b>		<b>\$ 588,281</b>	<b>\$ 109,915</b>	<b>\$ 11,813</b>	<b>\$ (1,424)</b>	<b>\$ 183,804</b>	<b>\$ 892,389</b>

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

## Slate Grocery REIT

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

		Six months ended June 30,	
	Note	2024	2023
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 27,615	\$ 4,117
Items not affecting cash			
Straight-line rent	5	(144)	(274)
Change in fair value of financial instruments		(2,458)	(1,512)
Change in fair value of properties	5	(1,976)	28,293
IFRIC 21 property tax adjustment	5	14,449	13,892
Deferred income tax expense (recovery)		3,161	(4,127)
Unit income	18	(937)	(1,034)
Share of income in joint venture investments	6	(4,707)	(5,249)
Interest and finance costs	17	28,013	25,780
Cash interest paid, net	17	(27,167)	(24,712)
Changes in working capital items		772	6,726
		<b>\$ 36,621</b>	<b>\$ 41,900</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions		—	(201)
Dispositions	4	11,889	—
Contributions to joint venture investments	6	(880)	—
Distributions from joint venture investments	6	1,625	3,531
Funds held in escrow		(45)	(254)
Capital expenditures	5	(2,143)	(2,600)
Leasing costs	5	(1,419)	(1,372)
Tenant improvements	5	(2,963)	(1,303)
Development and expansion capital	5	(5,343)	(2,069)
		<b>\$ 721</b>	<b>\$ (4,268)</b>
<b>FINANCING ACTIVITIES</b>			
Revolver advances, net of financing costs	23	10,045	44,936
Term loan advances, net of financing costs	23	—	55,071
Revolver, term loan and mortgage repayments	23	(17,586)	(91,314)
Repurchases of REIT units, net	13	—	(8,420)
REIT unit distributions	13	(25,544)	(25,984)
Exchangeable units of subsidiaries distributions	18	(392)	(392)
Distributions to non-controlling interest		(5,961)	(8,348)
		<b>\$ (39,438)</b>	<b>\$ (34,451)</b>
<b>(Decrease) increase in cash</b>		<b>(2,096)</b>	<b>3,181</b>
<b>Cash, beginning of the period</b>		<b>23,587</b>	<b>20,392</b>
<b>Cash, end of the period</b>		<b>\$ 21,491</b>	<b>\$ 23,573</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:

- provide unitholders with stable cash distributions from a portfolio of grocery-anchored real estate properties in the U.S.;
- enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and
- 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 Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

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

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on August 7, 2024.

##### 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 its subsidiaries.

##### v. Comparative information

Certain comparative balances have been reclassified in the consolidated financial statements to provide consistency with the current period classification. The aforementioned changes are not material to the consolidated financial statements as a whole.

#### 3. MATERIAL ACCOUNTING POLICY INFORMATION

A summary of material accounting policy information is included in note 3 of the audited comparative consolidated financial statements of the REIT as at and for the year ended December 31, 2023. 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, except as described below.

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, 2023.

##### Application of new and revised IFRS

##### Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*, to specify the requirements for the classification of liabilities as either current or non-current. The amendments clarified the following:

- i. Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- ii. Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

- iii. Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months.

The REIT adopted the amendments, on a retrospective basis, effective for the annual period beginning on January 1, 2024. As a result of the amendments, the REIT reclassified the following liabilities from non-current to current in the consolidated statements of financial position:

	December 31, 2023
Exchangeable units of subsidiaries	\$ 8,269
Other liabilities	736
<b>Total</b>	<b>\$ 9,005</b>

Other liabilities transferred to current were reclassified to the accounts payable and accrued liabilities line item in the condensed consolidated interim statements of financial position. There were no further material changes as a result of the adoption of the amendments.

#### Future accounting policies

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

In April 2024, IFRS 18, *Presentation and Disclosure in Financial Statements*, was issued to replace IAS 1, *Presentation of Financial Statements* with the aim to provide users with more transparent and comparable information. It requires the usage of new categories of income and expense in the consolidated statements of income and comprehensive income including operating, investing, financing, income taxes and discontinued operations sections, as well as new subtotals aligning with these categories. The standard further requires management-defined performance measures to be disclosed in the consolidated financial statements, along with disclosures related to how such measures are calculated and reconciled to the most comparable subtotals specified by IFRS.

IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted, and is to be applied retrospectively. The REIT is currently in the process of assessing the impact of adopting the new standard on its consolidated financial statements.

## 4. DISPOSITION

### Disposition

The REIT disposed of one property during the six month period ended June 30, 2024, as follows:

Property	Disposition date	Location	Sales price	
Stonefield Square	June 27, 2024	Louisville, Kentucky	\$	12,750
Sales price			\$	12,750
Capital adjustments				(423)
<b>Properties</b>			<b>\$</b>	<b>12,327</b>
Working capital and other adjustments				(438)
<b>Total</b>			<b>\$</b>	<b>11,889</b>

The REIT did not dispose of any properties during the six month period ended June 30, 2023.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 5. PROPERTIES

As at June 30, 2024, the REIT owned 116 properties (December 31, 2023 - 117 properties), of which 101 are in entities consolidated by the REIT. The remaining 15 properties are accounted as joint venture investments (note 6) and not included in the table below.

The change in properties is as follows:

	Note	June 30, 2024	December 31, 2023
Beginning of the period		\$ 2,062,599	\$ 2,087,432
Acquisitions		—	201
Capital expenditures		2,143	4,521
Leasing costs		1,419	3,083
Tenant improvements		2,963	3,891
Development and expansion capital		5,343	13,100
Straight-line rent		144	760
Disposition	4	(12,327)	—
IFRIC 21 property tax adjustment		(14,449)	—
Change in fair value of properties		1,976	(50,389)
<b>End of the period</b>		<b>\$ 2,049,811</b>	<b>\$ 2,062,599</b>

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

	June 30, 2024 <sup>1</sup>	December 31, 2023 <sup>1</sup>
Capitalization rate range	5.9% – 9.0%	6.0% – 9.2%
Weighted average capitalization rate	7.2 %	7.2 %

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

The following table presents the estimated change to the fair value of the REIT's properties when there is an increase or decrease to the capitalization rates as at June 30, 2024:

(Decrease) Increase in capitalization rate	Change in fair value of properties <sup>1</sup>
(1.00%)	\$ 392,700
(0.75%)	282,944
(0.50%)	181,498
(0.25%)	87,444
0.25%	(81,513)
0.50%	(157,682)
0.75%	(229,018)
1.00%	(295,969)

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

The following table presents the estimated change to the fair value of the REIT's properties when there is an increase or decrease to the REIT's stabilized net operating income as at June 30, 2024:

(Decrease) Increase in stabilized net operating income	Change in fair value of properties <sup>1</sup>
\$(100)	\$ (1,386)
\$100	1,386

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



## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 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	June 30, 2024		December 31, 2023	
			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:

				June 30, 2024		December 31, 2023	
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total		
Beginning of the period	\$ 58,388	\$ 45,193	\$ 3,520	\$ 107,101	\$ 109,456		
Contributions	—	—	880	880	—		
Distributions	(1,625)	—	—	(1,625)	(6,063)		
Share of income (loss) in joint venture investments	850	4,579	(722)	4,707	3,708		
<b>End of the period</b>	<b>\$ 57,613</b>	<b>\$ 49,772</b>	<b>\$ 3,678</b>	<b>\$ 111,063</b>	<b>\$ 107,101</b>		

#### 7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	June 30, 2024	December 31, 2023
Rent receivable	\$ 8,642	\$ 7,501
Allowance	(1,698)	(1,171)
Accrued recovery income	7,328	8,949
Other receivables	7,939	6,893
<b>Total</b>	<b>\$ 22,211</b>	<b>\$ 22,172</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 period in which they were incurred.

The change in the allowance is as follows:

	June 30, 2024	December 31, 2023
Beginning of the period	\$ (1,171)	\$ (1,096)
Allowance	(594)	(854)
Bad debt write-off	—	415
Bad debt recovery	67	364
<b>End of the period</b>	<b>\$ (1,698)</b>	<b>\$ (1,171)</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.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The aging analysis of rent receivable balances, net of allowance, is as follows:

	June 30, 2024	December 31, 2023
Current to 30 days	\$ 2,138	\$ 3,332
31 to 60 days	699	446
61 to 90 days	1,387	125
Greater than 90 days	2,720	2,427
<b>Total</b>	<b>\$ 6,944</b>	<b>\$ 6,330</b>

## 8. 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	2.822 %	2.400 %	3.615 %	3.465 %	<b>3.084%</b>
Notional amount	\$ 175,000	\$ 137,500	\$ 137,500	\$ 175,000	<b>\$ 625,000</b>
Receive-floating rate	One-month SOFR	One-month SOFR	One-month SOFR	One-month SOFR	
Maturity date	August 22, 2025	July 22, 2027 <sup>1</sup>	July 22, 2027	August 22, 2028	
Remaining term (years)	1.1	3.1	3.1	4.1	<b>2.8</b>

<sup>1</sup> The \$137.5 million interest rate swap with a pay-fixed rate of 2.400% contains a one-time cancellation option by the REIT's counterparty on July 24, 2025.

On May 18, 2023, the REIT amended the \$137.5 million interest rate swap with a pay-fixed rate of 1.691% and maturity date of July 22, 2027 by adding a one-time cancellation option by the REIT's counterparty on July 24, 2024. As a result of this amendment, the cash flow hedge was deemed no longer to be an effective hedge and hedge accounting was discontinued. On the day of the amendment, \$0.9 million was reclassified from the cash flow hedge reserve to profit or loss as the underlying cash flow was no longer expected to occur. The remaining \$3.3 million cash flow hedge reserve is amortized on a straight-line basis over the remaining expected terms of the hedged cash flows. Subsequent to the amendment, the swap is carried at fair value through profit or loss.

On May 18, 2023, the REIT entered into a forward pay-fixed, receive-float swap contract to hedge the cash flow risk associated with monthly SOFR based interest payments, effective August 22, 2023, for \$175.0 million. The swap is for a 5-year term maturing on August 22, 2028 with a pay-fixed rate of 3.465%.

On November 15, 2023, the REIT amended the \$137.5 million interest rate swap with a pay-fixed rate of 3.615% and maturity date of July 22, 2027. The one-time cancellation option that was in place prior to the amendment was removed and this swap is carried at fair value through profit or loss.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, March 31, 2024		\$ 14,621	\$ (3,743)	\$ 10,878
Change in fair value of effective hedges of interest rate risk		2,292	(586)	1,706
Change in fair value of financial instrument through profit or loss		885	(226)	659
Net payments received on effective hedges of interest rate risk	17	(2,924)	748	(2,176)
Net payments received on financial instruments through profit or loss		(613)	157	(456)
<b>Balance, June 30, 2024</b>		<b>\$ 14,261</b>	<b>\$ (3,650)</b>	<b>\$ 10,611</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, December 31, 2023		\$ 7,652	\$ (1,959)	\$ 5,693
Change in fair value of effective hedges of interest rate risk		10,033	(2,567)	7,466
Change in fair value of financial instrument through profit or loss		3,670	(939)	2,731
Net payments received on effective hedges of interest rate risk	17	(5,882)	1,505	(4,377)
Net payments received on financial instruments through profit or loss		(1,212)	310	(902)
<b>Balance, June 30, 2024</b>		<b>\$ 14,261</b>	<b>\$ (3,650)</b>	<b>\$ 10,611</b>

	Note	Fair value of interest rate swaps	Deferred income tax (recovery)	Net impact after tax
Balance, March 31, 2023		\$ 13,310	\$ (3,405)	\$ 9,905
Change in fair value of cash flow hedges of interest rate risk		9,091	(2,326)	6,765
Cumulative gain arising on cash flow hedges to profit or loss		1,640	(420)	1,220
Net payments received on effective hedges of interest rate risk	17	(2,819)	721	(2,098)
Net payments received on financial instruments through profit or loss		(1,042)	267	(775)
<b>Balance, June 30, 2023</b>		<b>\$ 20,180</b>	<b>\$ (5,163)</b>	<b>\$ 15,017</b>

	Note	Fair value of interest rate swaps	Deferred income tax (recovery)	Net impact after tax
Balance, December 31, 2022		\$ 18,731	\$ (4,793)	\$ 13,938
Change in fair value of cash flow hedges of interest rate risk		6,534	(1,672)	4,862
Cumulative gain arising on cash flow hedges to profit or loss		1,640	(420)	1,220
Net payments received on effective hedges of interest rate risk	17	(5,683)	1,455	(4,228)
Net payments received on financial instruments through profit or loss		(1,042)	267	(775)
<b>Balance, June 30, 2023</b>		<b>\$ 20,180</b>	<b>\$ (5,163)</b>	<b>\$ 15,017</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### 9. DEBT

Debt held by the REIT at June 30, 2024 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>	September 21, 2024	One six-month	S+170 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 185,880	\$ 114,120
Term loan	March 21, 2025	None	S+160 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 3	July 15, 2027	None	S+160 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	155,000	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	90,900	38,319	38,319	—
Mortgage	July 1, 2025	None	4.14%	5	80,700	32,083	32,083	—
Mortgage	August 1, 2025	None	4.43%	1	12,111	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	153,300	76,187	76,187	—
Mortgage	January 1, 2031	None	5.50%	1	23,400	5,006	5,006	—
Mortgage	May 1, 2031	None	3.75%	19	320,900	158,141	158,141	—
Mortgage	February 1, 2033	None	5.50%	5	102,300	55,753	55,753	—
<b>Total</b>						<b>\$ 1,277,139</b>	<b>\$ 1,163,019</b>	<b>\$ 114,120</b>

Debt held by the REIT at December 31, 2023 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+170 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	\$ 300,000	\$ 188,360	\$ 111,640
Term loan	March 21, 2025	None	S+160 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	225,000	225,000	—
Term loan 3	July 15, 2027	None	S+160 bps <sup>34</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	156,333	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	92,000	38,927	38,927	—
Mortgage	July 1, 2025	None	4.14%	5	80,500	33,139	33,139	—
Mortgage	August 1, 2025	None	4.43%	1	13,667	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	154,000	77,089	77,089	—
Mortgage	January 1, 2031	None	5.50%	1	23,400	5,317	5,317	—
Mortgage	May 1, 2031	None	3.75%	19	314,200	159,852	159,852	—
Mortgage	February 1, 2033	None	5.50%	5	100,900	56,000	56,000	—
<b>Total</b>						<b>\$ 1,281,974</b>	<b>\$ 1,170,334</b>	<b>\$ 111,640</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 20.

<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 one-month SOFR, 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 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> Debt is secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 49 of the REIT's properties at June 30, 2024 (December 31, 2023 – 50).

## 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 June 30, 2024 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	7.02%	\$ 185,880	\$ (2,297)	\$ 2,185	\$ 185,768	\$ 185,768	\$ —
Term loan	6.92%	225,000	(1,377)	1,167	224,790	224,790	—
Term loan 3	6.92%	275,000	(5,381)	1,997	271,616	—	271,616
Mortgage	4.03%	103,950	570	(493)	104,027	104,027	—
Mortgage	3.80%	38,319	(1,549)	1,466	38,236	38,236	—
Mortgage	4.14%	32,083	(1,079)	991	31,995	2,179	29,816
Mortgage	4.43%	7,700	78	(54)	7,724	—	7,724
Mortgage	3.48%	76,187	(1,562)	648	75,273	1,853	73,420
Mortgage	5.50%	5,006	127	(41)	5,092	649	4,443
Mortgage	3.75%	158,141	(3,133)	1,106	156,114	3,520	152,594
Mortgage	5.50%	55,753	(929)	132	54,956	768	54,188
<b>Total</b>		<b>\$ 1,163,019</b>	<b>\$ (16,532)</b>	<b>\$ 9,104</b>	<b>\$ 1,155,591</b>	<b>\$ 561,790</b>	<b>\$ 593,801</b>

The carrying value of debt held by the REIT at December 31, 2023 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	7.04%	\$ 188,360	\$ (2,072)	\$ 1,820	\$ 188,108	\$ 188,108	\$ —
Term loan	6.94%	225,000	(1,377)	1,024	224,647	—	224,647
Term loan 3	6.94%	275,000	(5,381)	1,446	271,065	—	271,065
Mortgage	4.03%	103,950	570	(405)	104,115	104,115	—
Mortgage	3.80%	38,927	(1,549)	1,382	38,760	1,228	37,532
Mortgage	4.14%	33,139	(1,079)	953	33,013	2,135	30,878
Mortgage	4.43%	7,700	78	(44)	7,734	—	7,734
Mortgage	3.48%	77,089	(1,562)	564	76,091	1,821	74,270
Mortgage	5.50%	5,317	127	(36)	5,408	631	4,777
Mortgage	3.75%	159,852	(3,133)	943	157,662	3,455	154,207
Mortgage	5.50%	56,000	(929)	82	55,153	626	54,527
<b>Total</b>		<b>\$ 1,170,334</b>	<b>\$ (16,307)</b>	<b>\$ 7,729</b>	<b>\$ 1,161,756</b>	<b>\$ 302,119</b>	<b>\$ 859,637</b>

<sup>1</sup> The revolver, term loan and term loan 3 effective rates are based on the applicable one-month SOFR rate under borrowings as at June 30, 2024 and December 31, 2023.

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

On January 19, 2024, the REIT exercised the first six-month extension option on its \$300.0 million revolver, extending maturity to September 21, 2024.

On February 1, 2023, the REIT entered into a \$56.0 million mortgage, with a 10-year term bearing interest at 5.50%. The net proceeds from the mortgage were used to paydown the REIT's term loan 2.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 10. INCOME TAXES

Subsidiaries of the REIT, Slate Grocery Investment L.P. ("Investment L.P."), and GAR (1B) Limited Partnership ("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.

Slate Grocery Investment Inc. ("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. ("SGIUSLP"), 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 corporations, 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 25.59% (December 31, 2023 – 25.59%). Investment Inc. is subject to a combined federal and state income tax rate of 25.12% (December 31, 2023 – 25.12%). 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 for the six month period ended June 30, 2024 was \$1.6 million (six month period ended June 30, 2023 – \$1.1 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	June 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	\$ 18,758	\$ 16,714
Prepaid rent	6,160	7,019
Tenant improvements payable	5,636	7,793
Other payables	10,070	11,691
<b>Total</b>	<b>\$ 40,624</b>	<b>\$ 43,217</b>

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

#### 12. EXCHANGEABLE UNITS OF SUBSIDIARIES

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32.

##### 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. 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 income.

The change in the total exchangeable units of subsidiaries and carrying amount during the six month period ended June 30, 2024 are as follows:

	Note	June 30, 2024		December 31, 2023	
		Exchangeable Units	Value	Exchangeable Units	Value
Beginning of the period		907	\$ 8,269	907	\$ 10,082
Change in fair value	18	—	(1,005)	—	(1,813)
<b>End of the period</b>		<b>907</b>	<b>\$ 7,264</b>	<b>907</b>	<b>\$ 8,269</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 13. REIT UNITS

As at June 30, 2024, 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	116	10	59,004

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. 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.

#### 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 was effective until April 28, 2024 and was not renewed thereafter. For the six month period ended June 30, 2024, no units were issued under the ATM program (six month period ended June 30, 2023 – nil).

#### Normal course issuer bid

On February 1, 2024, the REIT renewed its normal course issuer bid ("NCIB"), which is effective until January 31, 2025. For the six month period ended June 30, 2024, no class U units have been purchased and subsequently canceled under the NCIB (six month period ended June 30, 2023 - 0.9 million class U units were purchased and subsequently canceled for a total cost, including transaction costs, of \$8.4 million).

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

	June 30, 2024		June 30, 2023	
	REIT units	Value	REIT units	Value
Beginning of the period	59,130	\$ 584,769	61,277	\$ 596,701
Repurchased	—	—	(868)	(8,420)
<b>End of the period</b>	<b>59,130</b>	<b>\$ 584,769</b>	<b>60,409</b>	<b>\$ 588,281</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Class U units	58,995	59,633	58,996	59,909
Class A units	125	126	121	136
Class I units	10	18	13	18
Exchangeable units of subsidiaries	907	907	907	907
Deferred units	290	213	280	206
<b>Total</b>	<b>60,327</b>	<b>60,897</b>	<b>60,317</b>	<b>61,176</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 deferred unit plans ("DUP"), were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	June 30, 2024	December 31, 2023
Class U units	59,004	58,986
Class A units	116	126
Class I units	10	18
Exchangeable units of subsidiaries	907	907
Deferred units	302	264
<b>Total</b>	<b>60,339</b>	<b>60,301</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:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Declared</b>				
REIT unit distributions	\$ 12,772	\$ 12,899	\$ 25,544	\$ 25,921
Exchangeable units of subsidiaries distributions	196	196	392	392
	<b>\$ 12,968</b>	<b>\$ 13,095</b>	<b>\$ 25,936</b>	<b>\$ 26,313</b>
Add: Distributions payable, beginning of period	4,323	4,412	4,323	4,412
Less: Distributions payable, end of period	(4,323)	(4,349)	(4,323)	(4,349)
<b>Distributions paid</b>	<b>\$ 12,968</b>	<b>\$ 13,158</b>	<b>\$ 25,936</b>	<b>\$ 26,376</b>

#### Deferred unit plans

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.



## Slate Grocery REIT

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Beginning of the period	281	206	264	196
Reinvested distributions	6	4	12	7
Issued	15	12	26	19
<b>End of the period</b>	<b>302</b>	<b>222</b>	<b>302</b>	<b>222</b>
<b>Fair value of units</b>	<b>\$ 2,416</b>	<b>\$ 2,184</b>	<b>\$ 2,416</b>	<b>\$ 2,184</b>

#### 14. NON-CONTROLLING INTEREST

The REIT has an established partnership with the North America Essential Fund ("NA Essential Fund"), a vehicle with management services provided by the Manager. The NA Essential Fund made an initial cash investment of \$180 million indirectly into the REIT's assets through the purchase of an 18.37% partnership interest in two of the REIT's subsidiaries, LP1 and SGIUSLP. The non-controlling interest in SGIUSLP includes the proportionate interest in the Tops Portfolio, a grocery anchored portfolio comprising 11 properties and 1.3 million square feet in major metro markets in New York, Ohio, and Georgia.

Primary Investment	Number of properties	June 30, 2024	December 31, 2023
LP1, SGIUSLP	116	18.4 %	18.4 %
Tops Portfolio	11	10.0 %	10.0 %

#### 15. REVENUE

Revenue consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Rental revenue	\$ 38,392	\$ 37,073	\$ 76,008	\$ 74,200
Common area maintenance recoveries	4,865	5,087	10,222	10,022
Property tax and insurance recoveries	6,791	7,128	14,268	14,390
Percentage rent	228	23	456	463
Other revenue <sup>1</sup>	1,542	1,013	2,779	2,038
<b>Total</b>	<b>\$ 51,818</b>	<b>\$ 50,324</b>	<b>\$ 103,733</b>	<b>\$ 101,113</b>

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

The REIT's existing leases have a weighted average outstanding term of 4.8 years (December 31, 2023 – 4.7 years) in which certain 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:

	June 30, 2024	December 31, 2023
In one year or less	\$ 159,102	\$ 162,806
In more than one year but not more than five years	415,159	426,916
In more than five years	183,952	188,842
<b>Total<sup>1</sup></b>	<b>\$ 758,213</b>	<b>\$ 778,564</b>

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

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consists of the following:

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Asset management fees	22	\$ 2,255	\$ 1,975	\$ 4,534	\$ 4,367
Professional fees and other		1,354	1,412	2,670	2,454
Bad debt expense		270	251	515	430
Franchise and business taxes		70	147	175	381
<b>Total</b>		<b>\$ 3,949</b>	<b>\$ 3,785</b>	<b>\$ 7,894</b>	<b>\$ 7,632</b>

#### 17. INTEREST AND FINANCE COSTS

Interest and finance costs consists of the following:

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Interest on debt and finance charges		\$ 17,119	\$ 15,935	\$ 34,261	\$ 31,436
Interest rate swaps, net settlement	8	(3,537)	(3,861)	(7,094)	(6,724)
Interest income		—	(6)	(103)	(15)
Amortization of finance charges and MTM premium	23	628	498	1,377	1,128
Amortization of gain on financial instrument	8	(192)	—	(384)	—
Amortization of deferred gain on TIF notes		(22)	(23)	(44)	(45)
<b>Total</b>		<b>\$ 13,996</b>	<b>\$ 12,543</b>	<b>\$ 28,013</b>	<b>\$ 25,780</b>

#### 18. UNIT INCOME

Unit income consists of the following:

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Exchangeable units of subsidiaries distributions	12, 13	\$ (196)	\$ (196)	\$ (392)	\$ (392)
Change in fair value of DUP		124	75	324	271
Change in fair value of exchangeable units of subsidiaries	12	397	253	1,005	1,155
<b>Total</b>		<b>\$ 325</b>	<b>\$ 132</b>	<b>\$ 937</b>	<b>\$ 1,034</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 19. FAIR VALUES

Except as noted, the carrying value of financial assets and financial liabilities including cash, accounts receivable, funds held in escrow, accounts payable and accrued liabilities, distributions payable, and rental security deposits recorded within other liabilities, approximate their fair values because of the short period until receipt or payment of cash.

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

June 30, 2024	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Interest rate swaps	\$ 14,261	\$ —	\$ 14,261	\$ —	\$ 14,261
TIF notes receivable	846	—	—	964	964
<b>Total financial assets</b>	<b>\$ 15,107</b>	<b>\$ —</b>	<b>\$ 14,261</b>	<b>\$ 964</b>	<b>\$ 15,225</b>
<b>Financial liabilities</b>					
Revolver	\$ 185,768	\$ —	\$ 185,880	\$ —	\$ 185,880
Term loan	224,790	—	225,000	—	225,000
Term loan 3	271,616	—	275,000	—	275,000
Mortgages	473,417	—	443,537	—	443,537
Exchangeable units of subsidiaries	7,264	7,264	—	—	7,264
<b>Total financial liabilities</b>	<b>\$ 1,162,855</b>	<b>\$ 7,264</b>	<b>\$ 1,129,417</b>	<b>\$ —</b>	<b>\$ 1,136,681</b>

December 31, 2023	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Interest rate swaps	\$ 7,652	\$ —	\$ 7,652	\$ —	\$ 7,652
TIF notes receivable	999	—	—	1,115	1,115
<b>Total financial assets</b>	<b>\$ 8,651</b>	<b>\$ —</b>	<b>\$ 7,652</b>	<b>\$ 1,115</b>	<b>\$ 8,767</b>
<b>Financial liabilities</b>					
Revolver	\$ 188,108	\$ —	\$ 188,360	\$ —	\$ 188,360
Term loan	224,647	—	225,000	—	225,000
Term loan 3	271,065	—	275,000	—	275,000
Mortgages	477,936	—	449,284	—	449,284
Exchangeable units of subsidiaries	8,269	8,269	—	—	8,269
<b>Total financial liabilities</b>	<b>\$ 1,170,025</b>	<b>\$ 8,269</b>	<b>\$ 1,137,644</b>	<b>\$ —</b>	<b>\$ 1,145,913</b>

#### 20. 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.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	Note	June 30, 2024	December 31, 2023
Debt	9	\$ 1,155,591	\$ 1,161,756
Exchangeable units of subsidiaries	12	7,264	8,269
Equity		866,149	867,236
<b>Total</b>		<b>\$ 2,029,004</b>	<b>\$ 2,037,261</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:

	Note	June 30, 2024	December 31, 2023
Gross book value		\$ 2,228,532	\$ 2,235,798
Debt	9	1,155,591	1,161,756
<b>Leverage ratio</b>		<b>51.9 %</b>	<b>52.0%</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 and term loans are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the respective lending agreement:

	Threshold	June 30, 2024	December 31, 2023
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	53.8%	54.4%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x <sup>1</sup>	> 1.50x	2.01x	2.22x

<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, as well as the Credit Agreement for term loan 3.

## 21. 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, loan arrangements and TIF notes receivables. This risk is mitigated by diversifying the REIT's tenant base through the limitation of concentration in individual tenants and geographical areas. In addition, the risk is mitigated by carrying out appropriate credit checks and related due diligence on any significant tenants.

As of June 30, 2024, one individual tenant accounted for 6.0% (December 31, 2023 – 6.4%) of the REIT's base rent.

### 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.

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The REIT's contractual commitments as at June 30, 2024 are as follows:

	Total contractual cash flow	Remaining in 2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	\$ 40,624	\$ 40,624	\$ —	\$ —	\$ —
Distributions payable	4,323	4,323	—	—	—
Revolver <sup>12</sup>	185,880	185,880	—	—	—
Revolver interest payable <sup>123</sup>	3,059	3,059	—	—	—
Term loan <sup>12</sup>	225,000	—	225,000	—	—
Term loan interest payable <sup>12</sup>	10,723	7,659	3,064	—	—
Term loan 3 <sup>24</sup>	275,000	—	—	275,000	—
Term loan 3 interest payable <sup>24</sup>	47,363	9,361	30,514	7,488	—
Mortgages	477,139	109,008	90,547	15,337	262,247
Mortgage interest payable	82,515	9,614	24,120	21,841	26,940
Exchangeable units of subsidiaries	7,264	7,264	—	—	—
<b>Total</b>	<b>\$ 1,358,890</b>	<b>\$ 376,792</b>	<b>\$ 373,245</b>	<b>\$ 319,666</b>	<b>\$ 289,187</b>

<sup>1</sup> Revolver and term loan interest payable is calculated on its balance outstanding using an estimated "all-in" interest rate of 6.99% and 6.75%, respectively, under the "Remaining in 2024" column. The term loan long-term average interest rate is 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 6.29%. 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 3 interest payable is calculated on its balance outstanding at period end, using an estimated "all-in" interest rate of 6.75%, under the "Remaining in 2024" 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 3 resulting in an anticipated increase to the "all-in" interest rate to 5.46%. The total 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 condensed consolidated interim statement of financial position.

#### iii. 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, 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.

#### 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:

	June 30, 2024	December 31, 2023
<b>Variable-rate instruments</b>		
Revolver	\$ 185,880	\$ 188,360
Term loan	225,000	225,000
Term loan 3	275,000	275,000
Effect of interest rate swaps	(625,000)	(625,000)
<b>Total effective variable-rate debt</b>	<b>\$ 60,880</b>	<b>\$ 63,360</b>
<b>Effective fixed rate debt as a total of all debt</b>	<b>94.8%</b>	<b>94.6%</b>
<b>Annual impact of a 25 bps change on interest rates</b>	<b>\$ 152</b>	<b>\$ 158</b>

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### iv. 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.

#### v. 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.

## 22. 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:

- i. an asset management fee calculated as a percentage of gross book value ("GBV") of the REIT. A rate of 0.40% (the "rate") is applicable to a GBV of up to \$2.0 billion and reduced based on certain GBV increases. The asset management fee is recognized in net income as a general and administrative expense; and
- ii. 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. The acquisition fee is capitalized to the properties at the time of acquisition.

Asset management fees incurred and payable to the Manager for the three and six month periods ended June 30, 2024 were \$2.3 million and \$4.5 million (three and six month periods ended June 30, 2023 – \$2.0 million and \$4.4 million). No acquisition fees were incurred for the three and six month periods ended June 30, 2024 and 2023. 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.

#### Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the three and six month periods ended June 30, 2024, trustee fees amounted to \$0.2 million and \$0.4 million, respectively (three and six month periods ended June 30, 2023, trustee fees amounted to \$0.2 million and \$0.3 million, respectively).

## 23. 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 3 <sup>1</sup>	Mortgages	Exchangeable units of subsidiaries	Total
Balance, December 31, 2023	\$ 188,108	\$ 224,647	\$ 271,065	\$ 477,936	\$ 8,269	
<b>Cash flows</b>						
Advances, net	10,045	—	—	—	—	<b>10,045</b>
Debt repayments	(12,750)	—	—	(4,836)	—	<b>(17,586)</b>
<b>Non-cash changes</b>						
Amortization of MTM adjustments and costs	365	143	551	317	—	<b>1,376</b>
Change in fair value	—	—	—	—	(1,005)	<b>(1,005)</b>
<b>Balance, June 30, 2024</b>	<b>\$ 185,768</b>	<b>\$ 224,790</b>	<b>\$ 271,616</b>	<b>\$ 473,417</b>	<b>\$ 7,264</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 8 for more detail.

## Slate Grocery REIT

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### 24. SUBSEQUENT EVENTS

On July 15, 2024, 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.