

# INOVALIS

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REAL ESTATE INVESTMENT TRUST

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## INOVALIS REAL ESTATE INVESTMENT TRUST REPORTS STRONG FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2014.

**Toronto, Ontario, May 7, 2014 – Inovalis Real Estate Investment Trust (the “REIT”) (TSX: INO.UN)** today reported its financial results for the first quarter of 2014. Inovalis REIT’s management team will be holding a conference call on Monday May 12, 2014 at 10:00 am EST to discuss the results. The dial-in numbers for the conference call are: in Toronto 1-416-764-8688; outside Toronto (toll free, within North America) 1-888-390-0546.

## HIGHLIGHTS

- Funds from Operations (FFO) for the quarter ended March 31, 2014 of \$2.9 million (or \$0.23 per unit on a fully diluted basis), 13.7% higher than the FFO for the quarter ended December 31, 2013 of \$2.6 million (or \$0.20 per unit)
- Adjusted Funds from Operations (AFFO) for the quarter ended March 31, 2014 of \$3.1 million (or \$0.24 per unit on a fully diluted basis), 0.2% higher than the AFFO for the quarter ended December 31, 2013 of \$3.1 million (or \$0.24 per unit)
- The AFFO payout ratio stands at 84.9% for the quarter ended March 31, 2014
- Active acquisition pipeline with the recent announcement of the acquisition of a 217,400 square feet property located in Duisburg (Germany) on a 50-50 co-ownership arrangement basis with a global institutional investor

*“I am very pleased to present our first quarterly report for 2014 with further improved FFO and AFFO results. With a strong financial position, promising opportunities for growth in our target markets and a dedicated team with local roots, we are excited about our future prospects. Looking ahead, we will focus on running our business efficiently, identifying growth opportunities in France and Germany in order to create long-term value for our Unitholders. The combination of office properties trading at attractive yields and of a historically low interest rate environment in these markets today is unique. We continue to believe that the French and German real estate office markets, due to their maturity, depth and the recovery phase they have entered in, will continue to be sought-after investment markets.”* said Stéphane Amine, Chairman of the Board of Inovalis REIT.

## OPERATING AND FINANCIAL SUMMARY

<i>(in thousands of CAD\$ unless otherwise expressed and except for per Unit amounts)</i>	<b>3-month period ended</b>	
	March 31, 2014	December 31, 2013
<b>Operational information</b>		
Number of properties	4	4
Gross leasable area	529,267 sq.ft	529,267 sq.ft
Occupancy rate (end of period) <sup>(1)</sup>	96.0%	96.0%
Weighted average lease term	7.3 years	7.5 years
Average capitalization rate <sup>(2)</sup>	7.7%	7.6%
<b>Operating results</b>		
Rental income	4,887	4,630
Net rental income	3,112	4,394
Profit for the period	(95)	3,955
Funds from Operations (FFO) <sup>(3)(4)</sup>	2,905	2,555
Adjusted Funds from Operations (AFFO) <sup>(3)(4)</sup>	3,079	3,073
FFO per Unit (diluted) <sup>(3)(4)(5)</sup>	0.23	0.20
AFFO per Unit (diluted) <sup>(3)(4)(5)</sup>	0.24	0.24
<b>Distributions</b>		
Declared distributions on Units and Exchangeable Securities	2,614	2,602
Declared distribution per Unit (diluted) <sup>(5)</sup>	0.21	0.21
AFFO cash payout ratio <sup>(3)</sup>	84.9%	84.7%
<b>Financing</b>		
Level of debt (debt-to-book value) <sup>(6)</sup>	43.5%	44.2%
Level of debt (debt-to-book value, net of cash) <sup>(6)</sup>	42.2%	42.8%
Weighted average interest rate <sup>(7)</sup>	1.47%	1.44%
Weighted average term to maturity of principal repayments of finance leases	4.0 years	4.3 years
Interest coverage ratio <sup>(8)</sup>	4.7 x	4.0 x

- (1) Does not take into account the impact of the Vendor Leases. Taking into account the Vendor Leases, occupancy rate is 100.0%
- (2) Calculated on annualized rental income (based on rental income for the quarter ended March 31, 2014)
- (3) FFO and AFFO are key measures of performance used by real estate companies. However, they are not defined under IFRS, do not have standard meanings and may not be comparable with other industries or issuers
- (4) The reconciliation of FFO and AFFO to net income can be found under the section *Non-IFRS Financial Measures: Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)*
- (5) Based on the weighted average number of Units during the period, i.e. 12,675,707 for the 3-month period ending March 31, 2014
- (6) Debt-to-book value is defined as total debt divided by total assets. Debt-to-book value, net of cash, is defined as total debt divided by total assets, each of which excludes \$6.1 million of cash and equivalent at March 31, 2014
- (7) Calculated as the weighted average interest rate paid on all the finance leases
- (8) Calculated as net rental income plus interest, less general and administrative expenses, divided by interest expense on the financial leases

## LOOKING AHEAD

### *Acquisition of a property in Duisburg (Germany)*

The REIT recently announced the acquisition of an office property located in Duisburg (Germany) on a 50-50 co-ownership arrangement basis with a strategic, global institutional investor that has a long-standing relationship with Inovalis SA. The property, located in Duisburg, Germany, is an eight-storey office building developed in 2008 totalling 217,400 square feet of office space and is fully let to Mitsubishi Hitachi Power Systems Europe GmbH under a lease expiring on December 31, 2020. Closing is expected to take place in June 2014.

### *Refinancing of the French properties*

The REIT's share of the above-mentioned acquisition in Germany will be funded through a combination of existing cash on hand, proceeds from re-financing and up-financing of the REIT's French properties with European banks and a first mortgage on the property. Upon the completion of the Duisburg property acquisition and of the refinancing of the French properties (expected in the second quarter of 2014), the average LTV on the REIT will remain below 55%.

### *Development of partnerships*

The REIT intends to develop partnerships with institutional investors for the ownership, on a joint-venture basis, of investment properties as a risk-diversification enhancement tool.

## DISCLAIMER

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the REIT are available at [www.inovalisreit.com](http://www.inovalisreit.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## ABOUT INOVALIS REAL ESTATE INVESTMENT TRUST

Inovalis Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. The REIT has been created for the purpose of acquiring and owning office properties primarily located in France and Germany but also opportunistically in other European countries where assets meet the REIT's investment criteria. The REIT currently owns an interest in four office properties in France and Germany, comprising 529,267 square feet (49,170 square metres) of gross leasable area. For further information, please contact:

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