*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S under the 1933 Act) except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. See "Plan of Distribution".*

PROSPECTUS

Initial Public Offering March 28, 2013

INOVALIS

REAL ESTATE INVESTMENT TRUST

INOVALIS REAL ESTATE INVESTMENT TRUST

$105,000,000

10,500,000 Units

This prospectus qualifies the distribution (the "**Offering**") of 10,500,000 units (the "**Units**") of Inovalis Real Estate Investment Trust (the "**REIT**") at a price of $10.00 per Unit (the "**Offering Price**"). As part of the Offering, Inovalis S.A. ("**Inovalis**") will purchase, at the Offering Price, an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option (as defined below) is exercised in full) through the ownership of interest bearing notes, non-interest bearing notes and common shares (collectively, the "**Exchangeable Securities**") of Luxco (as hereinafter defined), which are, in the aggregate, economically equivalent to, and exchangeable for, Units. See "Retained Interest" and "Plan of Distribution." No commission will be paid to the Underwriters (as defined below) in respect of the Exchangeable Securities acquired by Inovalis.

We are a newly established REIT formed initially to invest in office properties in our primary markets of France and Germany. We were founded by Inovalis, who will provide strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. Inovalis was formed in 1998 and is one of Western Europe's leading privately owned real estate investment management companies, with extensive expertise in sourcing and managing real estate investment opportunities in France and Germany. Inovalis currently manages 97 commercial real estate properties (including the Initial Properties (as defined below)) primarily in France and Germany which, as of December 31, 2012, had an approximate value of $2.3 billion. We will have access to Inovalis' management, operating and financing expertise and extensive network of industry relationships.

On closing of the Offering, we will acquire a leasehold interest in a portfolio of income-producing office properties that is currently being managed by Inovalis (the "**Initial Properties**"). See "Acquisition of the Interest in the Initial Properties". Payments under the leaseholds have similar features to mortgage payments that would be required if the Initial Properties were owned by the REIT and financed with mortgage debt. This portfolio consists of four office properties in France and Germany, comprising a total of 529,267 square feet (49,170 square metres) of gross leasable area ("**GLA**") with a portfolio occupancy rate of 96% (not including the impact of the Vendor Leases (as hereinafter defined)) and a weighted remaining average lease term of 8.9 years (not including tenant early termination rights), offering both a stable lease rollover profile and the potential to benefit from new leasing opportunities. Three of the Initial Properties are situated in and around Paris, France. The remaining Initial Property is located in the German city of Hanover. See "The Initial Properties".

We are an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. Our head and registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7. We will be exempt from the SIFT Rules under the *Income Tax Act* (Canada) (the "**Tax Act**"), as long as we comply at all times with our Investment Guidelines (as hereinafter defined below) which, among other things, only permit us to invest in properties or assets located outside of Canada. See "Investment Guidelines and Operating Policies". We do not rely on the exception afforded to real estate investment trusts under the Tax Act in order to be exempt from the SIFT Rules (as hereinafter defined) under the Tax Act. As a result, we are not subject to the same restrictions on our activities as those which apply to other Canadian real estate investment trusts that do rely on this exception under the Tax Act.

Our long-term objectives are to: (i) generate predictable and growing cash distributions on a tax-efficient basis from investments in income-producing office properties; (ii) maximize the long-term value of both our properties and Units through active and efficient management; (iii) grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our investment criteria; and (iv) increase the cash available for distribution to holders of Units ("**Unitholders**"), through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing.

Stable and growing economies

FRANCE & GERMANY

*~50% of the Eurozone's GDP**

INOVALIS

REAL ESTATE INVESTMENT TRUST

Under-developed Real Estate Capital Markets

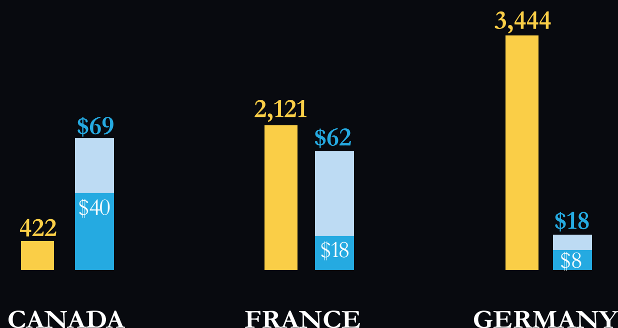
OFFICE REAL ESTATE (M FT²)

Gross Leasable Area

PUBLICLY-LISTED REAL ESTATE MARKET (C$ BILLIONS)

Closely Held (top 5 holders)

Widely Held



*International Monetary Fund, April 2012

INOVALIS
REAL ESTATE INVESTMENT TRUST

Generating attractive, stable yields from high-quality properties in France & Germany

Investor Confidence

Lowering bond yields
Improving currency valuation

Conservative Leverage

Maximum leverage of 55% of gross book value

High Quality Cash Flows

81%[1] of tenants are French public agencies or have rent guarantees from a large German/international bank

Long-term Leases

Weighted average remaining lease term of 8.9 years[2]
Majority quadruple net leases

Manager: Inovalis Real Estate Fund Manager

- Founded in 1998
- Inovalis is the second largest French commercial property management firm with ~230 real estate professionals located in France and Germany
- 97 properties in current fund portfolios
- $2.3 billion in assets under management
- In-house leasing and development team to optimize occupancy
- Execution experience through private/off-market transactions
- Ability to reposition and refurbish properties to match urbanization trends

Exclusive access to attractive acquisition pipeline

- Right of First Opportunity on properties owned by the Manager's funds
- 97 properties currently under management, with a consistent flow of acquisitions and dispositions
- Six near-term properties already identified within the acquisition pipeline

Fully aligned management team

- 10% minimum ownership on Closing, to be purchased at IPO price, escrowed for 3 years
- Management's distributions subordinated
- Annual asset management fee paid 100% in units
- No acquisition fees paid on assets acquired from Fund Manager

Jeuneurs, Paris, France
50,407 FT² GLA | 100% occupied
Main Tenant: National Conservatory of Arts and Crafts

Courbevoie, Paris, France
96,111 FT² GLA | 93% occupied
Main Tenant: Smart & Co.

Vanves, Paris, France
258,673 FT² GLA | 94% occupied
Main Tenant: France Telecom SA

Hanover, Germany
124,076 FT² GLA | 100% occupied
Main Tenant: Facility Services Hannover GmbH

[1] As measured by 2013E gross income contribution
[2] Not including early termination rights

In the context of these objectives, we believe that office properties are attractive investments because they offer stable cash flows. Additionally, our management team is of the view that well-located office properties with multi-year leases present an attractive long-term investment opportunity. Management believes that such properties typically provide growth opportunities as a result of the trend in increasing rental rates and the leasing of vacant space.

We intend to make regular monthly cash distributions to Unitholders. We expect that the initial monthly cash distribution rate will be $0.06875 per Unit. The initial cash distribution, which will be for the period from and including the date of closing of the Offering to May 31, 2013, is expected to be paid on June 17, 2013 to Unitholders of record on May 31, 2013 and is estimated to be $0.11688 per Unit (assuming the closing of the Offering occurs on April 10, 2013). See "Distribution Policy". The distribution of cash to Unitholders is not assured. See "Risk Factors".

There is currently no market through which the Units may be sold and purchasers of Units may not be able to resell the Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". The Toronto Stock Exchange ("TSX") has conditionally approved the listing of Units under the symbol "INO.UN". Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before June 18, 2013. See "Plan of Distribution".

	Price to the Public	Underwriters' Commission	Net Proceeds to the REIT[1]
Per Unit	$ 10.00	$ 0.60	$ 9.40
Total Offering[2]	$105,000,000	$6,300,000	$98,700,000

Notes

(1) After deducting the Underwriters' commission but before deducting expenses of the Offering, estimated to be $4,824,684 million, which, together with the Underwriters' commission, will be paid from the proceeds of the Offering. The expenses of the Offering do not include other expenses associated with the acquisition of Initial Properties disclosed elsewhere in this prospectus. No commission will be paid to the Underwriters on the Exchangeable Securities sold to Inovalis.

(2) We have granted to the Underwriters an option (the "**Over-Allotment Option**") exercisable in whole or in part for a 30-day period following closing of the Offering to purchase a number of additional Units equal to up to 15% of the Units sold at the closing of the Offering. If the Over-Allotment Option is exercised in full with respect to the Units, the total price to the public will be $120,750,000, the Underwriters' commission will be $7,245,000 and the net proceeds to us will be $113,505,000. This prospectus also qualifies the granting of the Over-Allotment Option and the issuance of Units upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum number of Units held	Exercise period	Exercise Price
Over-Allotment Option	1,575,000 Units	Within 30 days of Closing	$10.00 per Unit

The price of the Units was established by negotiation among us and Inovalis as well as Desjardins Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Laurentian Bank Securities Inc., UBS Securities Canada Inc., Manulife Securities Incorporated, Burgeonvest Bick Securities Limited, Industrial Alliance Securities Inc. and Mackie Research Capital Corporation (collectively, the "**Underwriters**").

In connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution – Price Stabilization, Short Positions and Passive Market Making". **The Underwriters may offer the Units at prices lower than that stated above. See "Plan of Distribution".**

There are certain risks inherent in an investment in Units and in our activities. Prospective investors should carefully consider these risk factors before purchasing Units. See "Risk Factors". It is important for an investor to consider the particular risk factors that may affect the international real estate industry, and the Western European real estate industry in particular, and therefore the stability of distributions paid by us on the Units, namely those identified under "Risk Factors". It is important for investors to consider the fact that our assets will be located outside of Canada and will initially be located exclusively in France and Germany.

A return on an investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in Units is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although we intend to make distributions of our available cash to Unitholders, such distributions may be reduced or suspended at any time. The actual amount distributed will depend on numerous factors including the financial performance of our properties, currency fluctuations, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units will decline if our distributions are reduced or suspended, and that decline may be significant.

The after-tax return from an investment in Units to unitholders subject to Canadian income tax will depend, in part, on the composition for income tax purposes of distributions paid by us on our Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a unitholder's cost base in the Unit for tax purposes. We estimate that approximately 91% of the monthly cash distributions made by us to unitholders will be tax deferred in 2013. The composition may change over time, thus affecting a unitholder's after-tax return. Distributions of our taxable income generally will be taxed as ordinary income in the hands of a unitholder. Distributions in excess of our taxable income generally will be tax deferred and will

reduce a unitholder's cost base in the Unit for tax purposes. Moreover, the after tax return from an investment in Units may be affected by the level of foreign tax, if any, payable on amounts that give rise to our distributable income. See "Distribution Policy" and "Certain Canadian Federal Income Tax Considerations".

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Goodmans LLP, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved by the Underwriters to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about April 10, 2013, or such later date as we and the Underwriters may agree, but in any event not later than May 10, 2013.

We are not a trust company and are not registered under applicable legislation governing trust companies as we do not carry on and do not intend to carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act*, and are not insured under the provisions of that statute or any other legislation.

Inovalis, the promoter of this Offering, is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction and resides outside Canada. Although Inovalis has appointed GODA Incorporators, Inc., 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7 as its agent for service of process in Ontario, it may not be possible for investors to enforce judgments obtained in Canada against Inovalis. See "Risk Factors – Risks Relating to the Offering and the Acquisition – Limitations on enforcement of certain civil judgments by Canadian investors".

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TERMS USED IN THIS PROSPECTUS

Capitalized terms used in this prospectus are defined under "Glossary of Terms".

Our investment and operating activities are limited, because our operating activities are carried out by our Subsidiaries. For simplicity, we use terms in this prospectus to refer to our investments and operations as a whole. Accordingly, in this prospectus, unless the context otherwise requires, when we use terms such as "we", "us" and "our", we are referring to the REIT and its Subsidiaries, as constituted on the date of Closing, giving effect to our acquisition of the Initial Properties. When we use expressions such as "our investments" or "our operations", we are referring to the investments and operations of the REIT and its Subsidiaries as a whole, in each case, from and after Closing. When we use expressions such as "our properties", "our portfolio", "we own" or "we invest in" in relation to our properties, we are referring to our ownership of and investment in our properties indirectly through our Subsidiaries. When we use expressions such as "we operate", we are referring to our operations through our Subsidiaries. When we refer to the "REIT", we are referring only to Inovalis Real Estate Investment Trust.

Except where otherwise indicated, the disclosure contained in this prospectus assumes that: (i) the Offering has been completed; (ii) the Acquisition has been completed; and (iii) the Over-Allotment Option has not been exercised.

References in this prospectus to our acquisition or ownership of the Initial Properties refer to our acquisition or ownership, as applicable, of the French Leaseholds and Hanover Leasehold. See "Acquisition of the Interest in the Initial Properties".

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by Inovalis on the basis of its knowledge of the commercial real estate industry in which we will operate (including Inovalis estimates and assumptions relating to the industry based on that knowledge). Inovalis' knowledge of the real estate industry has been developed through its 14 years of experience and participation in the industry. Inovalis believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although Inovalis believes it to be reliable, none of Inovalis, the Underwriters or us have independently verified any of the data from Inovalis or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying assumptions relied upon by such sources.

In addition, this prospectus includes information regarding tenants of the Initial Properties that has been obtained from publicly available information. None of Inovalis, the Underwriters or us have independently verified any of such information.

NON-IFRS MEASURES

Funds from operations ("**FFO**") and adjusted funds from operations ("**AFFO**") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO are supplemental measures of performance for real estate businesses.

We believe that AFFO is an important measure of economic performance and is indicative of our ability to pay distributions, while FFO is an important measure of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO and AFFO is net income. See "Non-IFRS Reconciliation" for a reconciliation of FFO and AFFO to net income.

"FFO" is defined as net income in accordance with IFRS, excluding: (i) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (ii) changes in fair value of Exchangeable Securities; and (iii) net gain on bargain purchase price (i.e. negative goodwill).

"AFFO" is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight line rents, (ii) the cash effect of the lease equalization swap, (iii) amortization of fair value adjustment on assumed debt, (iv) the non-cash portion of the asset management fees paid in Exchangeable Securities, (v) capital expenditures, and (vi) capital expenditures paid by the Vendors and/or tenants.

FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS, as indicators of our performance. Our method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking information. Statements other than statements of historical fact contained in this prospectus may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", "predict", "estimate", "potential", "could", "likely", "approximately", "scheduled", "forecast", "variation" or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives of our Board of Trustees, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities; and statements regarding our future economic performance. We have based these forward-looking statements on our current expectations about future events. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to: (i) our intention to provide stable, sustainable and growing cash flows through investments in commercial real estate outside of Canada and our other stated objectives; (ii) our intention to make regular monthly cash distributions; (iii) our ability to execute our business and growth strategies with Inovalis' assistance where applicable, including by making additional acquisitions of properties in our primary markets; (iv) our forecast financial results for the periods set out in this prospectus under the heading "Financial Forecast"; (v) forecast gross income figures or data derived from our financial forecast relating to individual properties or geography; (vi) the expected tax treatment of our distributions to Unitholders; (vii) our access to available sources of debt and equity financing; (viii) the percentage of our monthly cash distributions to be paid by us to Unitholders that will be tax deferred in 2013; and (ix) the expected level of foreign tax, if any, payable on amounts that give rise to our distributable income.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although we believe that the expectations reflected in such forward-looking information are reasonable, we can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this prospectus as well as the following: (i) we will receive financing on acceptable terms; (ii) our future level of indebtedness and our future growth potential will remain consistent with our current expectations; (iii) there will be no changes to tax laws adversely affecting our financing capability, operations, activities, structure or distributions; (iv) we will retain and continue to attract qualified and knowledgeable personnel as we expand our portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with the our current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting our operations; (vii) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (viii) capital markets will provide us with readily available access to equity and/or debt financing.

The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under "Risk Factors". Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

The reader is further cautioned that the preparation of the financial forecast included in this prospectus under the heading "Financial Forecast" requires us to make certain assumptions, judgments and estimates that affect the forecast of financial results, including assets, revenues, liabilities and expenses. These estimates may change, having either a negative or positive effect on actual results as further information becomes available, and as the economic environment changes.

The forward-looking information contained in this prospectus is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this prospectus speaks as of the date of this prospectus. We do not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause our actual results to differ from current expectations, see "Risk Factors".

The forecast gross income figures or data derived from our financial forecast relating to individual properties or geography has been prepared by us for use by prospective investors in their evaluation of potential investments in us (and in particular in order to provide prospective investors with a greater understanding of the relative importance of each of the Initial Properties) and may not be appropriate for any other purpose.

EXCHANGE RATE INFORMATION

The financial statements in respect of the Initial Properties are presented in Euros. Our *pro forma* financial statements and financial forecast are presented in Canadian dollars. In this prospectus, references to "$", "Cdn$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "€" or "Euros" are to Euros. Amounts are stated in Canadian dollars unless otherwise indicated.

We disclose certain financial information contained in this prospectus in Euros. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for €1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Nine months ended September 30		Year ended December 31		
	2012	**2011**	**2012**	**2011**	**2010**
	C$	**C$**	**C$**	**C$**	**C$**
Highest rate during the period	1.3446	1.4305	1.3446	1.4305	1.5067
Lowest rate during the period	1.2153	1.2847	1.2153	1.2847	1.2478
Average rate for the period(1)	1.2847	1.3759	1.2850	1.3767	1.3661
Rate at the end of the period	1.2646	1.3971	1.3118	1.3193	1.3319

Notes
(1) Determined by averaging the noon rate on each Business Day during the respective period.

The financial forecast assumes that the exchange rate between the Canadian dollar and the Euro will remain at 1.2996 which was the 10-day average noon rate of exchange posted by the Bank of Canada on conversion of Euros into Canadian dollars as of January 15, 2013.

On March 27, 2013, the effective date of the financial forecast, the 10-day average noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars was €1.00 equals $1.32173. Where there is a parenthetical conversion of Euros to Canadian dollars, the conversion was based on the 10-day average noon rate of exchange posted by the Bank of Canada on January 15, 2013, unless otherwise noted.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, please refer to the "Glossary of Terms".

Prospectus Summary

The REIT

We are a newly established, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. We were founded by Inovalis. Inovalis was formed in 1998 and is one of France and Germany's leading, privately owned real estate investment management companies.

Our long-term objectives are to:

(a) generate predictable and growing cash distributions on a tax-efficient basis from investments in income-producing office properties;

(b) maximize the long-term value of both our properties and Units through active and efficient management;

(c) grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our Investment Criteria; and

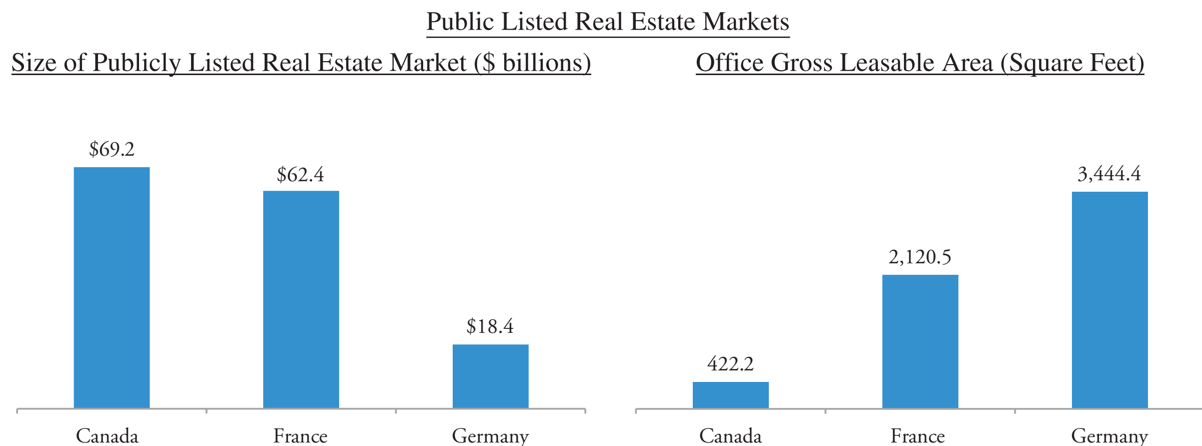
(d) increase the cash available for distribution to Unitholders, through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing.

We will be exempt from the SIFT Rules under the Tax Act, as long as we comply at all times with our Investment Guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the exception afforded to real estate investment trusts under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to other Canadian real estate investment trusts that do rely on this exception. Furthermore, because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations".

The Market Opportunity

The public market for real estate companies in France and Germany is much less developed than in Canada, as real estate investment trust legislation was introduced less than 10 years ago in both France and Germany. As the following graph illustrates, despite a much larger real estate market as measured by GLA than Canada, the size of France and Germany's publicly listed real estate market remains smaller than that in Canada.

Public Listed Real Estate Markets



Source: Bloomberg Financial Markets as at Q3 2012 applying an exchange rate of C$1.307/€.

Source: CB Richard Ellis for Canadian GLA, Organization Régionale de L'Immobilier D'Entreprise for France GLA and Bulwiengesa AG Statistic for German GLA.

Management believes a unique real estate investment opportunity exists in the greater Paris region with historical office capitalization rate spreads trending upwards. The concept is also expressed by global investment managers such as Cohen & Steers. According to their report entitled "Assessing the Landscape of European Real Estate" dated September 2012, the opportunity for non-European companies to invest in Europe at positive spreads is one which is unique. The investment thesis is further supported by the fact that rents in European markets such as France and Germany are indexed to inflation.

Management observes that while Canadian real estate investment trusts have increased over 150%, as measured by the change in the S&P/TSX Capped REIT Index since their lowest point in March 2009, European real estate investment trusts have only recently returned to positive growth, a performance that has lagged key economic indicators.

Target Markets

In the context of these objectives, we plan to focus on office properties in France and Germany that represent attractive investments due to their stable cash flows from long-term leases with strong tenant bases. We believe office properties that are well located in their respective markets present an attractive investment opportunity given their propensity to experience rental rate increases over the long term. Such properties typically provide growth opportunities through the lease-up of vacant space and the upward trend in rental rates through contractual escalations.

The REIT's Investment Criteria encompasses office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($26 million) to €60 million ($77 million) and potential future upside with respect to matters including rent and area development. According to management, the aforementioned target investment size represents a very liquid part of the real estate market in France and Germany, and debt financing for such acquisitions is readily available from local lenders.

Investment Highlights

Opportunity for Global Real Estate Diversification

The global real estate market is comprised of many local markets, each of which is influenced by local factors. We believe an opportunity exists to allow Canadians to gain exposure to global real estate and diversify their investment portfolios by providing an investment vehicle that will acquire properties in Western Europe. Our Initial Properties are located in France and Germany, the two largest and, we believe, most stable of the European economies.

Direct investment by foreigners in international real estate is complex. By investing in European real estate through the REIT, investors will be able to take advantage of our sophisticated structure and benefit from Inovalis' extensive market knowledge and local expertise. Through its sizeable operations over the last 14 years, Inovalis has developed a deep understanding of the European real estate markets and their regulatory and legal environments. An investment in the REIT will provide a unique opportunity for retail and institutional investors to gain exposure to international commercial real estate in a liquid and tax-efficient investment managed by an experienced team with a strong presence in France and Germany.

Initial Portfolio Provides Strong, Stable Operating Fundamentals with Established and Diverse Tenant Profile

We will initially own a portfolio of four stable, income-producing office properties located in primary markets within France and Germany. Currently, the Initial Properties are approximately 96% occupied (not including the impact of the Vendor Leases) and have a weighted remaining average lease term of approximately 8.9 years (not including tenant early termination rights), with some leases having built-in contractual rental escalations and all leases having rental indexation based on either the French ICC or ILAT or the German Consumer Price Index, as applicable.

The Initial Properties have minimal lease rollovers in the near-term (none of the leases come due in 2013 and 2014, not including the impact of early termination rights), offering both a stable lease rollover profile and upside potential from new leasing opportunities. In addition, tenants representing 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease.

The Initial Properties are leased to a diverse range of high-quality tenants, including France Telecom, Facility Services Hannover GmbH, the French Environment and Energy Management Agency, Smart & Co., the National Conservatory of Arts and Crafts, Westcon Group European Operations Limited, and DSM France. The top seven tenants of the Initial Properties represent 88% of total revenue. In August 2012, the majority of our leases were renewed with major tenants including France Telecom. France Telecom accounts for 38.6% of the total revenue derived from the Initial Properties and was recently granted a credit rating of BBB+ by Fitch Ratings. We have ensured that the rents payable by our tenants on the Initial Properties are at market rates. See "The Initial Properties – Tenant Mix".

Between January 1, 2009 and December 31, 2011, Inovalis maintained NOI margins on the Initial Properties between 76% and 80%. Overall portfolio occupancy rates have also been improved under Inovalis' leadership, increasing from 89% to 95.8% from January 1, 2009 to September 30, 2012.

Platform for Growth and Relationship with Inovalis

Access to Canadian capital markets is expected to provide us with a competitive cost of capital relative to that which is available in the European capital markets, allowing us to take advantage of quality real estate opportunities. We intend to grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our investment criteria, and increase the cash available for distribution to Unitholders. This will be achieved through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing. Inovalis currently has approximately 230 employees who are dedicated to acquiring, managing, re-developing, leasing and financing commercial real estate, making it the second largest commercial property management company in France.

Inovalis has granted the REIT the Right of First Opportunity, pursuant to which the REIT will have a first right to acquire properties managed or owned by Inovalis that meet our Investment Criteria. As of December 31, 2012, Inovalis managed 97 commercial real estate properties, including the Initial Properties, primarily in France and Germany, with approximately 7,340,976 square feet (681,999 square metres) of GLA. See "The REIT – Business and Growth Strategy" and "Relationship Strategy with Inovalis".

Experienced Management Team Aligned with Unitholders

We will benefit from a management team that has extensive experience in acquiring, financing, re-developing, operating, maintaining and growing a diverse portfolio of commercial real estate across France and Germany. To better align Inovalis' interests with that of our Unitholders, Inovalis will, on Closing, acquire an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of Exchangeable Securities, which are economically equivalent to, and exchangeable for, Units. Such Exchangeable Securities will be subject to the Initial Retained Interest Escrow whereby they will be automatically released from escrow to Inovalis on the third anniversary of the Closing. During the Initial Retained Interest Escrow period, Inovalis will be restricted from selling its Initial Retained Interest but will retain all ownership rights.

Upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable Securities held by Inovalis) based on the VWAP over a 20-day trading period; and (ii) the fifth anniversary of the date of Closing, the Management Agreement will terminate and the management of the REIT will be internalized at no additional cost to the REIT. Notwithstanding the foregoing, upon internalization, certain services, including leasing services, property management services and construction management services, will not be internalized on the basis that it would not be economical for the REIT to provide these services. Under this arrangement, the REIT will be able to take advantage of externalized management (subject to Inovalis' right to internalize at any time) while such an arrangement is cost effective, yet benefit from internalized management at such time as it becomes economically feasible to internalize. See "Relationship with Inovalis – Management of the REIT – Internalization of REIT Management".

Attractive, Sustainable Yield with a Conservative Financial Profile

We intend to pay stable and growing monthly cash distributions on our Units, initially expected to provide Unitholders and, through Luxco, holders of Exchangeable Securities, with an annual yield of approximately 8.25% and a payout ratio of approximately 93%. We will focus on providing strong risk-adjusted yields by managing our portfolio of properties using a prudent capital structure and conservative financial profile. On Closing, we expect the aggregate principal payments required under the Leaseholds to be approximately €84 million ($109 million), or approximately 52.7% of Gross Book Value (before the Hanover Owner reimbursement of approximately €2.8 million ($3.6 million)). We intend to use the current favourable debt and interest rate environment to prudently manage our overall financial leverage within a range of approximately 50% to 55% of Gross Book Value. This is expected to allow us to maximize our return on equity while mitigating financial risk to Unitholders, by maintaining stability in cash flows. In addition, as a publicly traded entity, we expect to benefit from having improved access to capital to assist us in executing our growth strategy.

Strategy and Relationship with Inovalis.

Due to the Right of First Opportunity, the REIT will have priority over third-party purchasers to source Inovalis' proprietary pipeline of approximately $2.3 billion in European real estate assets. In addition, pursuant to the Right of First Opportunity, Inovalis will be prohibited from purchasing, financing the purchase of, or making any investment in, any property that meets the Investment Criteria of the REIT without first offering such opportunity to the REIT. See "Relationship with Inovalis – Right of First Opportunity".

Business and Growth Strategy

Our strategy will be to actively manage and expand our portfolio of commercial real estate by targeting accretive acquisitions in primary and secondary markets in France and Germany but also opportunistically in other European countries, while maintaining a conservative leverage profile and emphasizing a disciplined approach to managing each of our properties in order to capture their full economic upside potential.

Acquisition Strategy

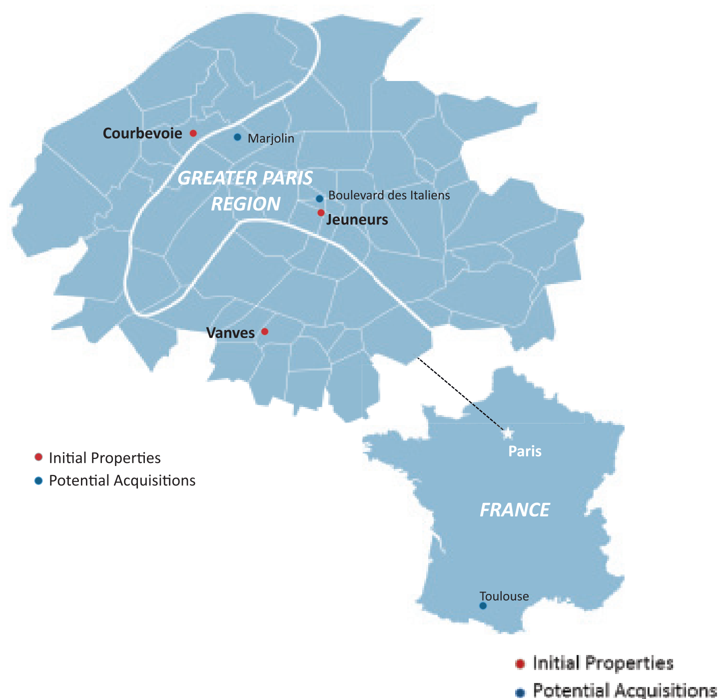
We believe that superior returns can be achieved by targeting properties primarily located in urban city centres and major suburban regions across France and Germany where opportunities exist. As such, we intend to acquire stable income-producing properties that are accretive to us in locations and property sizes that will ensure regional economies of scale and geographic diversification in our existing portfolio in France and Germany.

We will only consider acquiring office properties that meet our investment criteria based upon tenant quality, market demographics, lease terms, opportunities for expansion, security of cash flows and potential for capital appreciation. We will benefit from the experience, expertise and extensive network of contacts and relationships that Inovalis has developed within the French and German real estate markets. We expect this to provide us with access to numerous accretive acquisition opportunities. Over the past 14 years, Inovalis has used its expertise and knowledge to successfully grow its portfolio of managed properties from four to 97, illustrating an ability to source and close real estate acquisitions.

As such, Inovalis' 14 years of experience has allowed it to develop strong local relationships. In France, Inovalis has approximately 235 tenants in 57 buildings. In Germany, Inovalis has approximately 190 commercial tenants in 40 buildings and 200 residential tenants.

The following maps identify certain properties in the Inovalis pipeline that the REIT has identified as possible acquisition candidates for the REIT over the next several years:

Map of Possible Acquisition Candidates in Greater Paris Region and France



Map of Possible Acquisition Candidates in Germany

Property	Leasable Area (sq. ft)	Primary Use	Occupancy Rate	Weighted Remaining Average Lease Term[(1)]	Expected Date by which Property Available to REIT[(2)]	Major Tenant
Rue Marjolin, Levallois, France	39,181	Office	100%	3.25 years	01/30/15	Publicis Groupe (Public Relations)
Boulevard des Italiens, Paris, France	66,606	Office	100%[(3)]	6.45 years	06/28/15	Gaumont Film Company (Film Production)
4 Avenue Didier Daurat, Blagnac Toulouse, France	82,606	Office	100%	5.00 years	01/30/15	Altran Group (Engineering Services)
Gillitzerstrasse, Rosenheim, Germany	97,715	Office	70%[(4)]	6.14 years	11/30/12[(5)]	HVB Gesellschaft für Gebäude (Real Estate)
Siemensstraße, Bad Homburg, Germany	90,481	Office	83%	1.50 years	01/29/15	Microsoft Corporation (Information Technology)
Wiesenstraße, Düsseldorf, Germany	263,414	Office	74%[(4)]	4.30 years	11/30/12[(5)]	BKK Essanelle (Government)
TOTAL	**640,003**	**Office**	**82%**	**4.43 years**		

(1) Weighted remaining average lease term calculated as of September 30, 2012.
(2) Notwithstanding the date by which the property is expected to become available to the REIT, management believes there is a possibility that the properties may become available sooner than indicated.
(3) The property located at Boulevard des Italiens, Paris, France recently underwent extensive renovations.
(4) This property does not meet all of the Investment Criteria today.
(5) Discussions between Inovalis and the lead investor are currently in process with respect to the possible extension of the fund's life by up to two years.

Inovalis, in its capacity as asset manager of the pipeline properties, will determine when to divest a particular property. Once the decision to divest is made, Inovalis will provide notice to the underlying fund which owns the particular property. One investor in the fund is often authorized to consent to the sale of the asset on behalf of the other investors. In addition to the consent of the underlying investor, Inovalis will be required to obtain the approval of the financial institutions which own the relevant leasehold, if applicable.

Pursuant to the Right of First Opportunity, Inovalis will not sell an ownership interest in a property managed or owned by it that meets the Investment Criteria, including the six properties listed above as possible acquisition candidates, unless such opportunity has first been offered to the REIT. Until such time as the possible acquisition candidates become available for purchase, the REIT will not take any steps towards acquiring such properties. Although the REIT intends to consider the acquisition of these properties when they become available, no assurance can be given that any such properties will be purchased by the REIT.

Certain of the office properties identified by the REIT as potential acquisition candidates currently have occupancy levels below the 80% threshold required by the Investment Criteria. The occupancy levels at each of these candidate properties is currently lower than expected as they are undergoing renovations. It is anticipated that, by the time the properties are available for purchase by the REIT, the renovations would be complete and occupancy levels would improve. In any event, the REIT will not purchase a property that does not meet its Investment Criteria as then stated.

The disclosure immediately above includes forward-looking information. Certain material factors or assumptions are applied in making these forward-looking statements and actual results may differ materially from those expressed or implied in the above map and chart. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the following: (i) we will receive financing on acceptable terms; (ii) there will be no changes to tax laws adversely affecting our financing capability or ability to acquire assets; (iii) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with the our current expectations; (iv) there will be no material changes to government and environmental regulations adversely affecting our operations; (v) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (vi) capital markets will provide us with readily available access to equity and/or debt financing. We do not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause our actual results to differ from current expectations, see “Risk Factors”. Please refer to “Forward-Looking Information”.

Industry Overview

The commercial real estate sector in France and Germany is similar to that of Canada in many respects, including a strong focus on building and maintaining long-term relationships with tenants, an active brokerage community and a developed lending market. Most notably, France continues to exhibit positive real estate fundamentals. According to CBRE, in the second half of 2011, Paris overtook London as the top city in Europe for property investment. During the first quarter of 2012, AEW European Real Estate Quarterly reported that of the largest European real estate markets, only France managed to post an increase in investment activity with volumes rising 9% year over year during the first quarter of 2012. According to BNP Paribas Real Estate, commercial real estate volume was significant in Germany throughout 2012, with Frankfurt and Munich recording unexpected growth of 9% and 26%, respectively, relative to 2011.

According to the KPMG European Real SnapShot! published in the spring of 2012 (the “**KPMG Report**”), with over €12 billion ($15.7 billion) invested, the office market in the greater Paris region represented 75% of all investments in French commercial real estate in 2011. The KPMG Report states that, in the greater Paris region, the most dynamic office market in France, absorption continued to improve in 2011 with over 2.3 million square metres (25.0 million square feet) of office space being leased or sold to tenants (i.e. “taken up”), representing an increase of 11% over 2010.

According to Deutsche Genossenschafts-Hypothekenbank, Hanover has one of the largest office property markets among the various regional centres in Germany, with 4 million square metres (43 million square feet). Hanover's vacancy rate, currently standing at only 5%, has consistently been lower than Hamburg's and the average of the 12 Regional Markets, reflecting disciplined construction of office space based on actual needs. Rental levels in Hanover were largely unaffected by the global financial crisis. Monthly rents have increased since 2007 to approximately €13 per square metre ($1.6 per square foot), approaching their 2002 levels.

Initial Properties

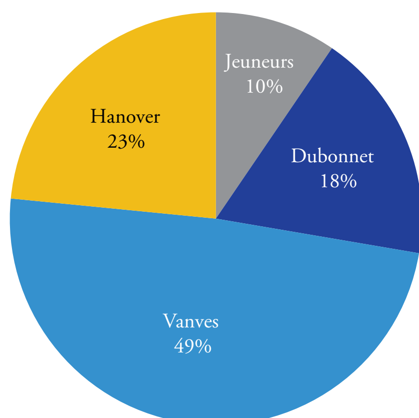
Overview

The Initial Properties consist of four office properties in France and Germany, comprising approximately 529,267 square feet (49,170 square metres) of GLA with a portfolio occupancy rate of approximately 96% (not including the impact of the Vendor Leases) and a weighted remaining average lease term of 8.9 years (not including tenant early termination rights), offering a stable lease rollover profile. Three of the Initial Properties are located in France, all of which are situated in the greater Paris region. The remaining property is located in the German city of Hanover.

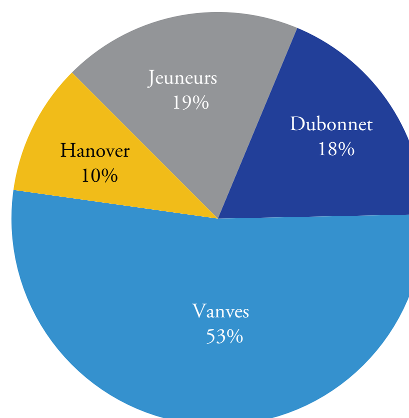
The Initial Properties are strategically located in major city and town centres, generally in close proximity to public transit. The locations typically provide excellent visibility, access to a major street and city centre pedestrian and shopping areas. Given their central and strategic locations, we believe that these properties will continue to be attractive to office, commercial, industrial and retail tenants.

It is expected that approximately 77% of the REIT's GLA and 91% of its forecasted 2013 NOI will come from the French Properties. The following graphs provide a breakdown of the GLA and NOI of the Initial Properties by each property.

Percentage of GLA by Property



Percentage of 2013 Forecast NOI by Property



Note: NOI is for the period ending December 31, 2013.

Tenants representing approximately 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease. Under a Quadruple Net Lease, the tenant pays not only for the use of the premises but also for the landlord's operating costs including, but not limited to, property taxes, building insurance, common area maintenance and utilities. With the exception of the National Conservatory of Arts and Crafts and Fresh & Co., the majority of the remaining tenants are subject to a Triple Net Lease, which means that the tenants pay for most of the landlord's operating costs including, but not limited to, property taxes, building insurance and common area maintenance, but do not pay for utilities. Under both a Quadruple Net Lease and Triple Net Lease, the tenant is responsible for all repairs to the leased premises (other than repairs of a capital or structural nature) and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and maintenance of parking lots as well as garbage collection.

Pursuant to the lease agreement with the National Conservatory of Arts and Crafts, none of the taxes legally due by the applicable French SPV will be recoverable, with the exception of property taxes and office taxes. Similarly, pursuant to the Fresh & Co. and French Environment and Energy Management Agency lease agreements, several forms of taxes, including but not limited to, property taxes, household refuse taxes and annual office taxes will be borne by the applicable French SPV.

Since most costs – including those related to property tax, building insurance and all repairs (other than repairs of a structural or capital nature) – are the responsibility of the tenant, the REIT benefits from enhanced cash flow predictability compared to landlords with other types of lease structures.

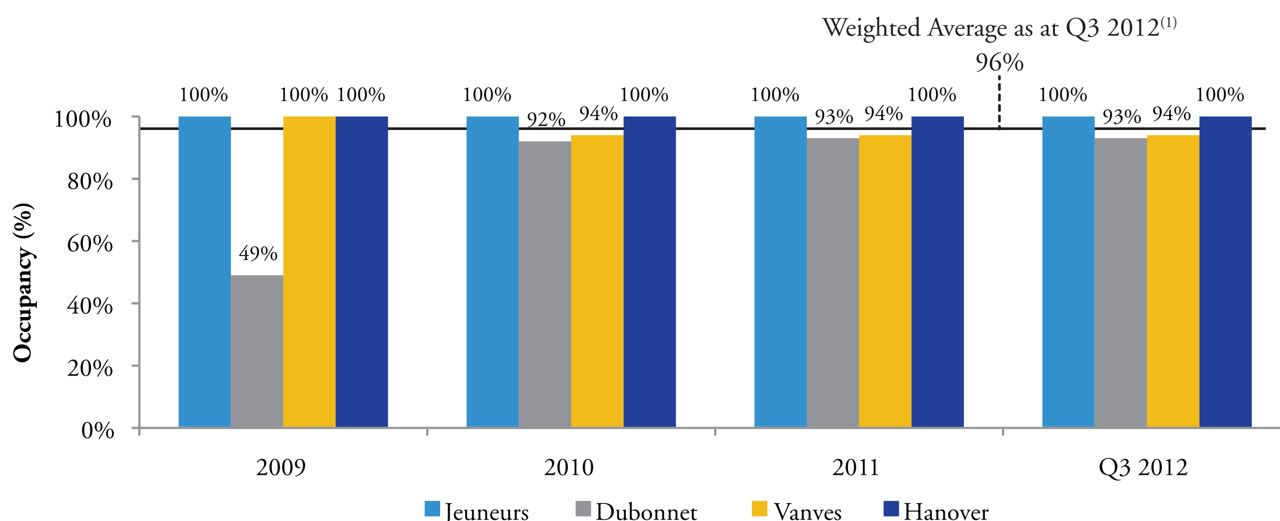
Tenant Mix

The tenant base in the Initial Properties is well-diversified from an industry segment standpoint, with many tenants having large national or multinational footprints. The top seven tenants of the Initial Properties account for 88% of Gross Income. The average lease premises size per tenant is approximately 44,105 square feet (4,097 square metres) and the weighted average in place annual net rent for the Initial Properties per square foot is $28 (€233 per square metre) as at September 30, 2012. Between France Telecom, Sparkasse Hannover Ansalt des öffentlichen Rechts, the National Conservatory of Arts and Crafts, the French Environment and Energy Management Agency and Smart & Co., approximately 81% of the Initial Properties' tenants, as measured by 2013 estimated gross income contribution, are French public agencies or have rent guarantees from a large German or international bank.

Occupancy and Leasing

The weighted average remaining lease term is approximately 8.9 years (not including tenant early termination rights). Inovalis management has been successful in maintaining an average historical portfolio occupancy rate for the Initial Properties of above 90%.

Average Historical Portfolio Occupancy Rate



(1) Weighted average according to gross leasable area.

Note: Occupancy levels shown do not include the impact of the Vendor Leases (as herein after defined).

Our stable tenant base is complemented by a well balanced lease maturity profile, with an average of 4.85% of GLA maturing each year between 2013 and 2020.

Real Estate Management and Advisory Services

Pursuant to the Management Agreement, Inovalis will be the manager of the REIT and will provide the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT.

Upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable Securities held by Inovalis) based on the VWAP over a 20-day trading period; and (ii) the fifth anniversary of the date of Closing, the Management Agreement will terminate and the management of the REIT will be internalized at no additional cost to the REIT. In addition, Inovalis has the right, in its sole discretion, to elect to internalize management at no cost to the REIT at any time.

Management Fees

In performing its obligations under the Management Agreement, Inovalis will be entitled to receive the following fees from the relevant subsidiary of the REIT:

(a) An annual asset management fee in the amount of 0.75% of the Historical Gross Purchase Price of the REIT's properties;

(b) A leasing fee in an amount equal to (i) 10% of the first year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first year annual rent for leases signed by new tenants, payable on the signing of a binding lease, extension, renewal or amending document; provided, that Inovalis is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;

(c) A construction management fee payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project excluding work done on behalf of tenants or any maintenance capital expenditures;

(d) An acquisition fee in the amount of 0.50% of the purchase price of any property acquired by the REIT payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee will be payable in respect of the acquisition of properties managed by Inovalis; and

(e) An annual property management fee in an amount equal to 3.5% of the Gross Revenue of REIT's properties, payable quarterly in arrears.

All Management Fees (as defined below) will be paid entirely in cash, except as follows;

- The Annual Asset Management Fee will be payable quarterly in arrears, entirely in Exchangeable Securities, subject to any required regulatory approvals. 50% of the Exchangeable Securities paid as part of the Annual Asset Management Fee will be subject to an escrow agreement pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.
- The Acquisition Fee will be paid 50% in cash and, subject to any required regulatory approvals, 50% in Exchangeable Securities upon completion of the applicable acquisition. All of such Exchangeable Securities will be subject to an escrow agreement pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.

See "Retained Interest", "Plan of Distribution", "Relationship with Inovalis – Management of the REIT – Management Fees" and "Relationship with Inovalis – Internalization".

Trustees and Executive Officers

The following table sets forth the name, municipality of residence and positions held with the REIT (or functions performed on behalf of the REIT) of each Trustee and executive officer of the REIT (or each person acting in the capacity of an executive officer of the REIT) on Closing:

Name, Province or State and Country of Residence	Position/Title	Committees	Principal Occupation
Stéphane Amine *Paris, France*	Chairman and Trustee	N/A	Chairman and Founder, Inovalis
Daniel Argiros *Ontario, Canada*	Independent and Lead Trustee	Audit Committee	Co-Founder, Conundrum Capital Corporation Chief Executive Officer, Potentia Solar Inc.
Jean-Daniel Cohen *Paris, France*	Independent Trustee	Investment Committee and Audit Committee	Chairman, Hoche Partners Group of Companies Managing Director, Laforêt Real Estate
Richard Dansereau *Quebec, Canada*	Independent Trustee	Compensation and Governance Committee (Chairman) and Investment Committee	Managing Director at Stonehenge Partners
Marc Manasterski *Paris, France*	Independent Trustee	Compensation and Governance Committee	Partner, Quilvest Real Estate
Raymond Paré *Quebec, Canada*	Independent Trustee	Audit Committee (Chairman)	Chief Financial Officer and Vice-President, Alimentation Couche-Tard Inc.
Michael Zakuta *Quebec, Canada*	Independent Trustee	Investment Committee (Chairman) and Compensation and Governance Committee	President & Chief Executive Officer, Plazacorp Retail Properties Limited Principal, The Plaza Group
David Giraud *Paris, France*	Chief Executive Officer	N/A	Managing Director, Inovalis Chief Executive Officer of the REIT
Khalil Hankach *Paris, France*	Interim Chief Financial Officer & Secretary	N/A	Director of Finance, Inovalis

Currency Hedging Arrangements

Given that substantially all of our investments and operations will be conducted in currencies other than Canadian dollars and that we will pay distributions and interest payments to Unitholders, respectively, in Canadian dollars, we intend to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. On or about the time of Closing, we will enter into currency hedging arrangements with an arm's length counterparty pursuant to which the counterparty will agree to exchange Euros for Canadian dollars on a monthly basis at an agreed exchange rate.

The hedging arrangements will be implemented initially for a term of a minimum of three years. The Trustees will assess our currency hedging strategy from time to time.

Unaudited Non-IFRS Reconciliation

The following table reconciles forecast net income to FFO and AFFO (See "Non-IFRS Measures" and "Financial Forecast"):

(in thousands of Canadian dollars, except per Unit amounts)	Three-month Periods ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	Sept 30, 2013	December 31, 2013	December 31, 2013
Net Profit (loss) for the Period	**8,197**	**1,895**	**1,902**	**1,864**	**13,858**
Add/(Deduct)					
Acquisition Costs	3,087	—	—	—	3,087
Negative goodwill	(10,110)	—	—	—	(10,110)
Change in fair value of exchangeable securities	937	224	232	235	1,628
FFO	**2,111**	**2,119**	**2,134**	**2,099**	**8,463**
Add/(Deduct)					
Amortization of fair value adjustment on assumed debt	496	493	490	476	1,955
Non cash part of Assets Management Fees paid in Exchangeable Securities[1]	207	207	207	207	827
Capex net of cash subsidy[2]	(199)	(199)	(199)	(199)	(798)
AFFO	**2,614**	**2,620**	**2,631**	**2,582**	**10,447**
FFO / Units[3]	**$ 0.18**	**$ 0.18**	**$ 0.18**	**$ 0.18**	**$ 0.72**
AFFO / Units[4]	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.89**

(1) For purposes of this presentation, 50% of non cash part of Asset Management Fee included in AFFO reconciliation. Notwithstanding, 100% of the Asset Management Fee will be paid in Exchangeable Securities.

(2) Vendor is setting aside in an escrow account C$4.2 million of cash for payment of Capex to be invested in the next three years. 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease.

(3) Forecast FFO per Unit amounts are based on 11,700,000 Units.

(4) Forecast AFFO per Unit amounts are based on the weighted average number of Units outstanding for the period including Units issuable for Exchangeable Securities. Asset Management Fees paid 50% in Exchangeable Securities are also considered in the Fully Diluted Unit calculation. Fully Diluted Unit ending amounts including Exchangeable Securities for the periods of March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 are 11,710,332, 11,730,996, 11,751,659 and 11,772,323, respectively. Weighted average Units outstanding for the 12-month period ending December 31, 2013 equate to 11,741,328.

Note: Net non-cash straight line rental income of $1.9 million; Inovalis will, on Closing, enter into the Lease Equalization Agreements with the REIT, which will have the effect of equalizing the rent payments over the term of two leases. See "Relationship with Inovalis – Lease Equalization Agreements".

Financial Forecast

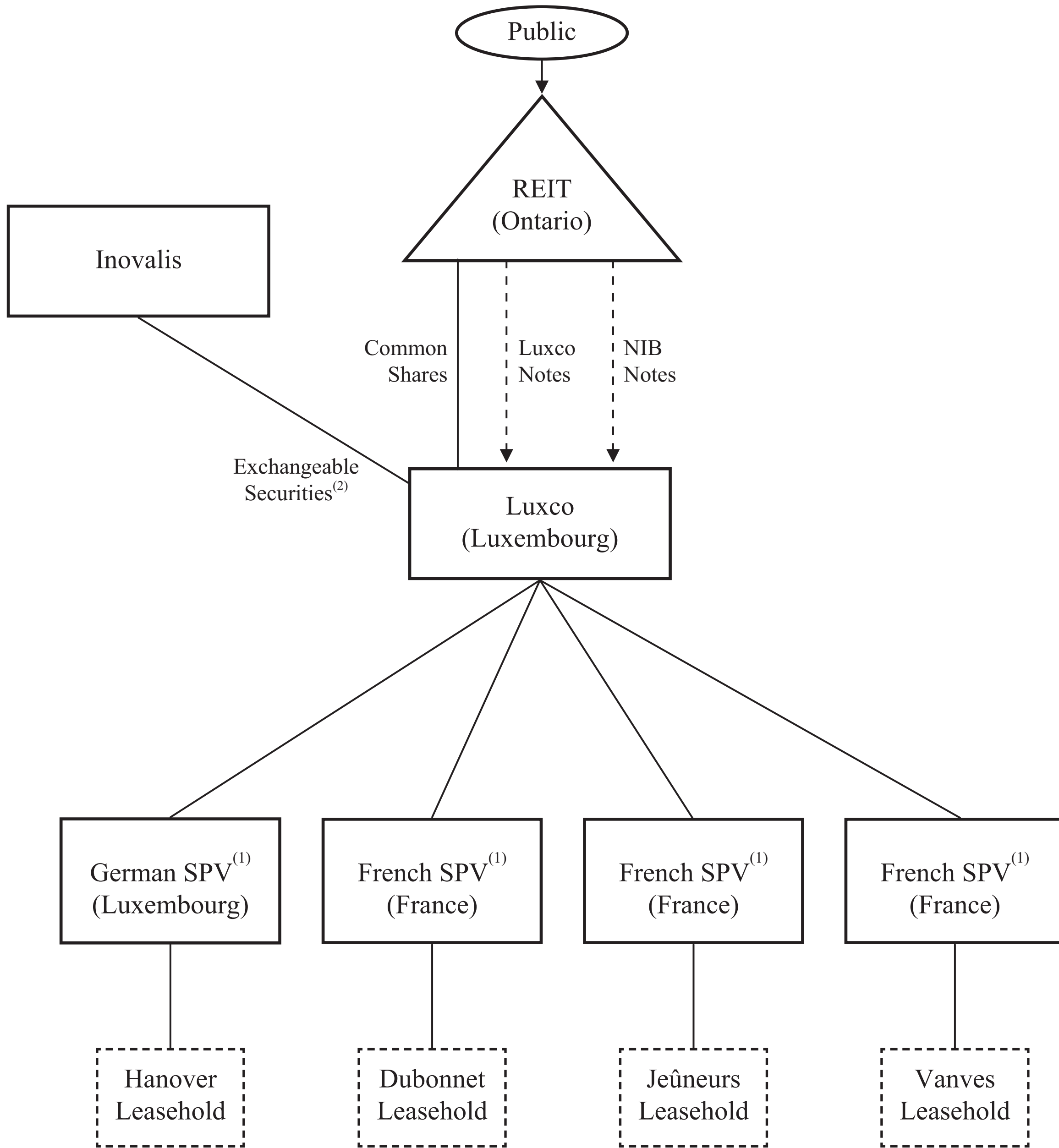
Consolidated Statements of Forecast Net Income

Consolidated Statements of Forecast Net Income In thousands of CAD unless otherwise stated	Three-month periods ending March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	Twelve-month period ending December 31, 2013
Rental income	4,075	4,084	4,098	4,101	16,358
Service charge income	966	967	967	967	3,867
Service charge expense	(966)	(967)	(967)	(967)	(3,867)
Other property operating expenses	(100)	(100)	(100)	(100)	(400)
Net rental income	**3,975**	**3,984**	**3,998**	**4,001**	**15,958**
Administration expenses	(807)	(807)	(808)	(808)	(3,230)
Valuation gains (losses) from investment property	—	—	—	—	—
Net gain on bargain purchase	10,110	—	—	—	10,110
Acquisition costs	(3,087)	—	—	—	(3,087)
Operating profit (loss)	**10,191**	**3,177**	**3,190**	**3,193**	**19,751**
Finance costs	(1,057)	(1,057)	(1,056)	(1,039)	(4,209)
Change in fair value of exchangeable securities	(937)	(224)	(232)	(235)	(1,628)
Profit (loss) before taxes	**8,197**	**1,896**	**1,902**	**1,919**	**13,914**
Income tax expense	—	—	—	(56)	(56)
Profit (loss) for the period	**8,197**	**1,896**	**1,902**	**1,863**	**13,858**

See accompanying notes to consolidated statements of forecast net income

Simplified Organization Structure

Upon completion of the offering and the Acquisition, our simplified organizational structure will be as follows:



(1) The French SPVs are wholly-owned by Luxco indirectly through OPCI, whereas the German SPV is wholly-owned directly by Luxco. Luxco also owns interest-bearing notes of the French SPVs and the German SPV.

(2) Represents an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised).

THE OFFERING

Offering: 10,500,000 Units (12,075,000 Units if the Over-Allotment Option is exercised in full).

Offering Size: $105,000,000 (Units).

Offering Price: $10.00 per Unit.

Over-Allotment Option: We have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the Closing of the Offering to purchase a number of additional Units equal to up to 15% of the Units sold at the closing of the Offering at the same price per Unit and on the same terms as the Offering solely to cover over-allotments, if any. See "Plan of Distribution".

Use of Proceeds: The net proceeds of the Offering are estimated to be approximately $93,875,316 ($108,680,316 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' commission and the estimated expenses of the Offering. The Underwriters' commission and the expenses of this Offering will be paid out of the proceeds of this Offering.

The proceeds will be used by the REIT to acquire the Initial Properties through the acquisition of (i) Luxco Notes; (ii) NIB Notes; and (iii) Luxco Common Shares, with the balance to be used to fund growth opportunities and for general trust purposes. Luxco will use these proceeds together with the proceeds received from Inovalis for its subscription of Exchangeable Securities to indirectly acquire the French Leaseholds and the Hanover Leasehold. See "Acquisition of the Interest in the Initial Properties."

We will use the net proceeds from the sale of Units by us on exercise of the Over-Allotment Option to fund growth opportunities and for general trust purposes.

See "Use of Proceeds".

Unit Attributes: The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) a pro rata participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote for each whole Unit held at meetings of unitholders. See "Declaration of Trust and Description of REIT Units".

Initial Retained Interest: On Closing, Inovalis will hold an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of Exchangeable Securities (the "**Initial Retained Interest**"). The Exchangeable Securities will entitle the holder to cash distributions from Luxco equal, on a per Unit basis, to the distributions paid to holders of Units by the REIT. The Initial Retained Interest will be subordinated for a period of three years from Closing such that Inovalis will only be entitled to receive monthly distributions on its Exchangeable Securities for a particular month after the monthly distribution entitlement of $0.06875 per Unit has been satisfied for such month. The Exchangeable Securities will be accompanied by special voting units (the "**Special Voting Units**") of the REIT which have no economic interest but provides the Exchangeable Securities holder with the same voting rights in the REIT as the Units. The Exchangeable Securities are exchangeable into Units (subject to customary anti-dilution adjustments). The Initial Retained Interest will be subject to an escrow arrangement (the "**Initial Retained Interest Escrow**") whereby the Exchangeable Securities will be automatically released from escrow on the third anniversary of Closing. During the Initial Retained Interest Escrow period, Inovalis will be restricted from selling its Exchangeable Securities but will retain all ownership rights. All of the Exchangeable Securities subject to the Initial Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable such Exchangeable Securities to participate in any change of control transaction.

Inovalis will have the right to nominate a maximum of two Trustees to the Board of Trustees of the REIT depending upon the level of Inovalis' ownership interest in the REIT and whether it is serving as manager of the REIT. No commission will be paid to the Underwriters on the Exchangeable Securities sold to Inovalis. See "Retained Interest", "Trustees and Executive Officers – Governance and Board of Trustees" and "Declaration of Trust and Description of REIT Units".

Ongoing Retained Interest

Upon the acquisition by the REIT of properties managed by Inovalis at any time following Closing and prior to the termination of the Management Agreement, Inovalis shall, concurrently with the closing of such acquisition and subject to regulatory approval, subscribe for additional Exchangeable Securities (i) having an aggregate value equal to approximately 10% of the equity portion of the purchase price of such properties, and (ii) that are exchangeable into that number of Units as is equal to such approximate 10% equity portion divided by the VWAP of the Units for the five trading days prior to the closing date of the applicable acquisition (each an "**Ongoing Retained Interest**"). Each Ongoing Retained Interest will be subject to a three-year escrow commencing on the closing date of the applicable acquisition (the "**Ongoing Retained Interest Escrow**") after the expiry of which the Ongoing Retained Interest will be automatically released from escrow. During the Ongoing Retained Interest Escrow, Inovalis will be restricted from selling an Ongoing Retained Interest that has not yet been released from the Ongoing Retained Interest Escrow, but will retain all ownership rights. Each Ongoing Retained Interest subject to the Ongoing Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable the Ongoing Retained Interests to participate in any change of control transaction.

Distribution Policy:

We intend to make regular monthly cash distributions to Unitholders derived from our indirect investment in the Initial Properties. We expect that the initial monthly cash distribution rate will be $0.06875 per Unit. The initial cash distribution, which will be for the period from and including the date of Closing to May 31, 2013, is expected to be paid on June 17, 2013 to Unitholders of record on May 31, 2013 and is estimated to be $0.11688 per Unit (assuming the Closing occurs on April 10, 2013). We estimate that the initial annual distribution rate (including distributions on the Exchangeable Securities) will represent approximately 93% of estimated AFFO for the 12 months ended December 31, 2013. Notwithstanding our distribution policy, the Trustees retain full discretion with respect to timing and quantum of distributions, if declared. On or shortly following Closing, the REIT intends to implement a distribution reinvestment plan. See "Distribution Policy – Distribution Reinvestment Plan".

Risk Factors:

An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Our cash distributions are not guaranteed and will be based, in part, upon the financial performance of our properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include:

Risks relating to the REIT and its business

- Risks inherent in the real estate industry may adversely affect our financial performance;
- Concentration of tenants may result in significant vacancies on the Initial Properties
- Recent global financial market developments
- Lease Renewals, Rental Increases, Lease Termination Rights and Other Lease Matters

- Head lease structure of Hanover Property may be terminated by Hanover Owner
- Environmental contamination on properties may expose us to liability and adversely affect our financial performance
- We may incur significant capital expenditures and other fixed costs
- Financing risks, leverage and restrictive covenants may limit our ability for growth
- Changes in government regulations may affect our investment in the Initial Properties
- Legal and political risks related to France and Germany
- Failure to receive deductions for interest payments may adversely affect our cash flows, results of operations and financial condition
- Changes in currency exchange rates could adversely affect our business
- Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments
- Acquisitions of properties may expose us to undisclosed defects and obligations
- Limitations of appraisals and engineering and environmental reports
- We rely on Inovalis for management services
- Losses of key personnel may affect our ability to operate
- Failure of technology, human processes or external events may lead to direct or indirect losses
- Our Trustees, executive officers and representatives of Inovalis may be put in a position of conflict as a result of their positions held and interests in other businesses
- Concentration of properties in France and Germany may adversely affect our financial performance
- Competition in the French and German real estate market may adversely affect our financial performance
- We may not be able to source suitable acquisitions
- Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects
- Investments through joint venture, partnership and co-ownership agreements may restrict our ability to deal with a property or expose us to liability
- We may not be able to fully manage internal controls
- IFRS reporting may result in our balance sheet and net income being subject to increased volatility as the fair value of our portfolio changes
- Regulatory requirements may limit a future change of use for some Initial Properties
- Legal proceedings in the normal course of our operations may result in claims against us

Risks relating to the Offering and the Acquisition

- Absence of a prior public market and determination of offering price
- The ability of Unitholders to redeem Units is subject to restrictions on redemption
- Structural subordination of the Units may limit our ability to pay distributions
- Cash distributions are not guaranteed and may fluctuate with our financial performance
- Historical financial information and *pro forma* financial information may not be indicative of future results
- Our financial forecast may not be accurate
- Unitholders do not have legal rights normally associated with ownership of shares of a corporation
- Unitholder liability may arise
- The issuance of additional REIT Units will result in dilution
- Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination
- Certain closing risks may affect our financial condition
- Limitations on enforcement of certain civil judgments by Canadian investors

Risks Relating to Tax Matters

- Changes to Canadian federal income tax laws may adversely affect Unitholders
- Changes to SIFT Rules may adversely affect Unitholders
- Tax considerations relating to FAPI may affect our financial condition
- REIT may realize losses for tax purposes by virtue of the fluctuation in the value of foreign currencies
- Tax laws, administrative practice or case law could have adverse tax consequences
- Additional withholding taxes may be imposed on distributions made to Non-Residents
- No assurance can be given as to the future tax treatment of the REIT and its subsidiaries
- Units and Redemption Notes may not continue to be qualified investments
- Tax treatment of German SPV, Hanover Owner and Hanover Property, may offset our financial condition

See “Risk Factors”.

THE REIT

Overview

We are a newly established, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. We were founded by Inovalis S.A. Inovalis was formed in 1998 and is one of western Europe's leading, privately owned real estate investment management companies.

On Closing of the Offering, we will acquire a leasehold interest in a portfolio of income-producing office properties currently managed by Inovalis. See "Acquisition of the Interest in the Initial Properties" and "Our Structure and Formation". Payments under the leaseholds have similar features to mortgage payments that would be required if the Initial Properties were owned by the REIT and financed with mortgage debt. This portfolio consists of four office properties in France and Germany, comprising 529,267 square feet (49,170 square metres) of gross leasable area with a portfolio occupancy rate of approximately 96% (not including the impact of the Vendor Leases) and a weighted remaining average lease term of 8.9 years (not including tenant early termination rights), offering both a stable lease rollover profile and the potential to benefit from new leasing opportunities. Three of the Initial Properties are located in France, all of which are situated in the greater Paris region. The remaining Initial Property is located in the German city of Hanover. See "The Initial Properties".

We will engage Inovalis to provide strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage our day-to-day operations. As a result, we will have access to Inovalis' management, operating and financing expertise and its extensive network of industry relationships. To better align its interests with that of our Unitholders, on Closing Inovalis will acquire an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of Exchangeable Securities, which are, in the aggregate economically equivalent to, and exchangeable for, Units. See "Retained Interest" and "Plan of Distribution."

Our long-term objectives are to:

(a) generate predictable and growing cash distributions on a tax-efficient basis from investments in income-producing office properties;

(b) maximize the long-term value of both our properties and Units through active and efficient management;

(c) grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our Investment Criteria; and

(d) increase the cash available for distribution to Unitholders, through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing.

In the context of these objectives, we believe that office properties are attractive investments because they offer stable cash flows. Additionally, our management team is of the view that well-located office properties with multi-year leases present an attractive long-term investment opportunity. Management believes that such properties typically provide growth opportunities as a result of the trend in increasing rental rates and the leasing of vacant space.

The REIT's Investment Criteria encompasses office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($26 million) to €60 million ($78 million) and potential future upside with respect to matters including rent and area development. According to management, the aforementioned target investment size represents a very liquid part of the real estate market in France and Germany, and debt financing for such aquisitions is readily available from local lenders.

We will be exempt from the SIFT Rules under the Tax Act as long as we comply at all times with our Investment Guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the exception afforded to real estate investment trusts under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to other Canadian real estate investment trusts that do rely on this exception. Furthermore, because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations".

Inovalis and the REIT

Inovalis' real estate investment activities are undertaken through various investment funds that are managed by Inovalis. Investors in Inovalis-managed funds include state and sovereign wealth funds, pension funds, private banks and high net worth individuals. Inovalis-managed funds are generally established with five to seven year sunset dates. Once a particular fund reaches its sunset date, the assets comprising the fund's portfolio must be sold and the fund wound down. Since 1998, funds managed by Inovalis have acquired 189 properties and sold 92 properties, representing approximately $4.4 billion in real estate transactions in total.

In addition to its fund management services, Inovalis provides real estate asset and property management services. As of December 31, 2012, Inovalis managed 97 commercial real estate properties, including the Initial Properties, primarily in France and Germany, with approximately 7,340,976 square feet (681,999 square metres) of GLA. As of December 31, 2012, the approximate value of properties managed by Inovalis was $2.3 billion.

Inovalis currently manages 14 investment funds, with equity of approximately €553.0 million ($718.7 million), investing primarily in France and Germany. Since inception, Inovalis has managed nine funds that have investment criteria similar to the investment criteria expected to be used by the REIT. Five of these nine investment funds remain active today. Between January 1, 2001 and December 30, 2012, outside investors in the nine funds with investment criteria similar to the investment criteria expected to be used by the REIT realized an internal rate of return of approximately 11.0% per annum. Investors are cautioned that historical investment returns are not necessarily indicative of future performance.

Inovalis is regulated by the French Authority of the Financial Markets, the Autorité des marchés financiers ("**AMF**") as a 'société de gestion'. This designation authorizes Inovalis to manage financial portfolios on behalf of third party clients. Inovalis is required to observe the regulations on French corporations and to file documents with the Paris Registry of Commerce. In addition, Inovalis is required to adhere to special regulations relating to real estate activity under a French law called "Loi Hoguet". Management has confirmed that Inovalis remains in good standing with the AMF, Paris Registry of Commerce and "Loi Hoguet".

Since its formation, Inovalis has been successful in (i) identifying and taking advantage of market trends, (ii) executing acquisitions and dispositions of individual property and portfolio transactions at attractive prices in an efficient manner, (iii) executing strategic capital improvements to increase rent and values and achieve operating savings, (iv) growing the scale of its European operations, which enables it to reduce operating costs and enhance its NOI margins, and (v) executing property level financings in conjunction with its acquisitions and refinancing requirements. Such success has primarily been due to Inovalis' asset management capabilities and its ability to develop significant strategic relationships with European real estate professionals and brokers, lenders and other industry participants, which provide Inovalis with access to acquisition opportunities, a variety of competitively priced sources of capital, and financing flexibility to execute repositioning and disposition strategies.

Inovalis currently has approximately 230 employees based in France and Germany dedicated to acquiring, managing, leasing and financing commercial real estate. Inovalis has advised the REIT that on March 21, 2013, it completed the acquisition of Adyal, one of France's leading providers of property management, facility management and real estate transaction services. From its inception in 1933, Adyal has grown into one of the largest independently-owned real estate services companies in France, with 14 office locations and 180 dedicated professionals. By leveraging its strong local real estate knowledge and geographic scope, Adyal is able to provide a range of property consultant services to over 400 clients, including General Electric, Renault and Orange France Telecom. Adyal also provides asset management and facilities management services to 1,500 properties totalling over 129,166,800 square feet (12,000,000 square meters) of GLA. As a result of its acquisition of Adyal, Inovalis has grown from approximately 60 employees to approximately 230 employees, making it the second largest commercial property management company in France. Inovalis believes that its acquisition of Adyal will have a positive impact on the REIT. With an expanded footprint and additional personnel, Inovalis believes that it will be better positioned to service, manage and enhance both the Initial Properties and any future properties acquired by the REIT.

Inovalis offers four core services, which are supported by its in-house legal, commercial, fund management, accounting and sales and acquisition teams:

(a) **Asset Management**. Inovalis' asset management teams manage commercial properties across France and Germany within the office, retail and residential real estate asset classes. Inovalis' senior management has expertise that has allowed it to maintain target performance through financial cycles.

(b) **Debt Sourcing**. Inovalis has extensive experience in sourcing the capital necessary to execute on its funds' investment strategies. Inovalis closely monitors its debt management operations and has established strong banking relationships throughout France and Germany. Inovalis intends to leverage these relationships to help the REIT with future acquisitions, capital improvement programs and refinancings.

(c) **Redevelopment**. Inovalis employs dedicated and experienced professionals to redevelop and reposition its funds' assets through significant capital expenditures for renovations, as well as transformation of a property to its highest and best use. Since inception, Inovalis has managed capital improvements of approximately €189 million ($246 million) with respect to properties it manages.

(d) **Property Management.** Inovalis' dedicated and experienced property management team provides quality day-to-day operational management of certain of the properties in its funds' portfolio.

Inovalis has advised us that its current intention is to assist the REIT during the term of the Management Agreement in acquiring office properties that Inovalis manages or in which it has an ownership interest, in addition to sourcing new acquisition opportunities for properties that it does not currently manage or in which it does not have an ownership interest, although no assurance can be given in that regard. In order to support this intention, on Closing, Inovalis will grant to us the Right of First Opportunity pursuant to which Inovalis will not (i) purchase, finance the purchase of, or make any investment in any property that meets the Investment Criteria; or (ii) sell an ownership interest in a property managed or owned by Inovalis that meets the Investment Criteria, unless such opportunity has first been offered to the REIT. See "Relationship with Inovalis – Right of First Opportunity".

We expect the Right of First Opportunity to provide us with access to multiple acquisition opportunities during the term of the Management Agreement as funds managed by Inovalis approach their sunset dates and are required to divest their assets. Based on our discussions with Inovalis and our review of its existing portfolio under management, we have identified six office properties (three in France and three in Germany) having an approximate aggregate value, based on valuations conducted in the fourth quarter of 2012, of €179 million ($234 million) which are owned or managed by Inovalis and that could be attractive acquisition targets for the REIT over the next twelve months. The three properties in France have a total GLA of approximately 188,393 square feet (17,502 square metres) and the three properties in Germany have a total GLA of approximately 451,610 square feet (41,956 square metres). Although we are of the view that one or more of these six office properties may be suitable acquisition candidates for the REIT over the next twelve months, there can be no assurances that the REIT will acquire any such properties. See "The REIT – Business and Growth Strategy".

Investment Highlights

Opportunity for Global Real Estate Diversification

The global real estate market is comprised of many local markets, each of which is influenced by local factors. We believe an opportunity exists to allow Canadians to gain exposure to global real estate and diversify their investment portfolios by providing an investment vehicle that will acquire properties in Western Europe. Our Initial Properties are located in France and Germany, the two largest and, we believe, most stable of the European economies.

Direct investment by foreigners in international real estate is complex. By investing in European real estate through the REIT, investors will be able to take advantage of our sophisticated structure and benefit from Inovalis' extensive market knowledge and local expertise. Through its sizeable operations over the last 14 years, Inovalis has developed a deep understanding of the European real estate markets and their regulatory and legal environments. An investment in the REIT will provide a unique opportunity for retail and institutional investors to gain exposure to international commercial real estate in a liquid and tax-efficient investment managed by an experienced team with a strong presence in France and Germany.

Initial Portfolio Provides Strong, Stable Operating Fundamentals with Established and Diverse Tenant Profile

We will initially own a portfolio of four stable, income-producing office properties located in primary markets within France and Germany. Currently, the Initial Properties are approximately 96% occupied (not including the impact of the Vendor Leases) and have a weighted remaining average lease term of approximately 8.9 years (not including tenant early termination rights), with some leases having built-in contractual rental escalations and all leases having rental indexation based on either the French ICC or ILAT or the German Consumer Price Index, as applicable. The Initial Properties have minimal lease rollovers in the near-term (none of the leases come due in 2013 and 2014, not

including tenant early termination rights), offering both a stable lease rollover profile and upside potential from new leasing opportunities. In addition, tenants representing 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease.

The Initial Properties are leased to a diverse range of high-quality tenants, including France Telecom, Facility Services Hannover GmbH, the French Environment and Energy Management Agency, Smart & Co., the National Conservatory of Arts and Crafts, Westcon Group European Operations Limited ("**Westcon Europe**"), and DSM France. The top seven tenants of the Initial Properties represent approximately 88% of total revenue. In August 2012, the majority of our leases were renewed with major tenants including France Telecom. France Telecom accounts for approximately 39% of the total revenue derived from the Initial Properties and was recently granted a credit rating of BBB+ by Fitch Ratings. We have ensured that the rents payable by our tenants on the Initial Properties are at market rates. See "The Initial Properties – Tenant Mix".

Between January 1, 2009 and December 31, 2011, Inovalis maintained NOI margins on the Initial Properties between 76% to 80%. Overall portfolio occupancy rates have also been improved under Inovalis' leadership, increasing from 89% to 95.8% from January 1, 2009 to September 30, 2012.

Platform for Growth and Relationship with Inovalis

Access to Canadian capital markets is expected to provide us with a competitive cost of capital relative to that which is available in the European capital markets, allowing us to take advantage of quality real estate opportunities. We intend to grow our asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet our investment criteria, and increase the cash available for distribution to Unitholders. This will be achieved through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing. Inovalis currently has approximately 230 employees who are dedicated to acquiring, managing, re-developing, leasing and financing commercial real estate, making it the second largest commercial property management company in France.

Inovalis has granted the REIT the Right of First Opportunity, pursuant to which the REIT will have a first right to acquire properties managed or owned by Inovalis that meet our Investment Criteria. As of December 31, 2012, Inovalis managed 97 commercial real estate properties, including the Initial Properties, primarily in France and Germany, with approximately 7,340,976 square feet (681,999 square metres) of GLA. See "The REIT – Business and Growth Strategy" and "Relationship with Inovalis".

Due to the Right of First Opportunity, the REIT will have priority over third-party purchasers to source Inovalis' proprietary pipeline of $2.3 billion in European real estate assets. In addition, pursuant to the Right of First Opportunity, Inovalis will be prohibited from purchasing, financing the purchase of, or making any investment in, any property that meets the Investment Criteria of the REIT without first offering such opportunity to the REIT. See "Relationship with Inovalis – Right of First Opportunity".

Experienced Management Team Aligned with Unitholders

We will benefit from a management team that has extensive experience in acquiring, financing, re-developing, operating, maintaining and growing a diverse portfolio of commercial real estate across France and Germany. To better align Inovalis' interests with that of our Unitholders, Inovalis will, on Closing, acquire an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of Exchangeable Securities, which are economically equivalent to, and exchangeable for, Units (the "**Initial Retained Interest**"). Such Exchangeable Securities will be subject to an escrow arrangement (the "**Initial Retained Interest Escrow**") whereby they will be automatically released from escrow to Inovalis on the third anniversary of the Closing. During the Initial Retained Interest Escrow period, Inovalis will be restricted from selling its Initial Retained Interest but will retain all ownership rights. The Initial Retained Interest subject to the Initial Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable the Initial Retained Interests to participate in any change of control transaction. In addition, distributions on the Exchangeable Securities purchased by Inovalis on Closing will be subordinated, for a period of three years following Closing, to the distributions paid to holders of the Units by the REIT, with the effect that distributions will only be paid on such Exchangeable Securities held by Inovalis on a Distribution Date if the REIT has paid a distribution of at least $0.06875 per Unit to Unitholders in respect of the applicable month in which the applicable Distribution Date falls.

All Management Fees (as defined below) will be paid entirely in cash, except for the following:

- The Annual Asset Management Fee will be payable quarterly in arrears, entirely in Exchangeable Securities, subject to any required regulatory approvals. 50% of the Exchangeable Securities paid as part of the Annual Asset Management Fee will be subject to an escrow agreement pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.
- The Acquisition Fee will be paid 50% in cash and, subject to any required regulatory approvals, 50% in Exchangeable Securities upon completion of the applicable acquisition. All of such Exchangeable Securities will be subject to an escrow agreement pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.

See “Retained Interest”, “Plan of Distribution”, “Relationship with Inovalis – Management of the REIT – Management Fees” and “Relationship with Inovalis – Internalization”.

Upon the acquisition by the REIT of properties managed by Inovalis at any time following Closing and prior to the termination of the Management Agreement, Inovalis shall, concurrently with the closing of such acquisition and subject to regulatory approval, subscribe for that number of Exchangeable Securities (i) having an aggregate value equal to approximately 10% of the equity portion of the purchase price of such properties, and (ii) that are exchangeable into that number of Units as is equal to such approximate 10% equity portion divided by to the VWAP of the Units for the five trading days prior to the closing of the applicable acquisition (each an “**Ongoing Retained Interest**”). Each Ongoing Retained Interest will be subject to a three-year escrow commencing on the closing date of the applicable acquisition (the “**Ongoing Retained Interest Escrow**”), after the expiry of which the Ongoing Retained Interest will be automatically released from escrow. During the Ongoing Retained Interest Escrow, Inovalis will be restricted from selling an Ongoing Retained Interest that has not yet been released from the Ongoing Retained Interest Escrow, but will retain all ownership rights. Each Ongoing Retained Interest subject to the Ongoing Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable the Ongoing Retained Interests to participate in any change of control transaction.

Upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable Securities held by Inovalis) based on the VWAP over a 20-day trading period; and (ii) the fifth anniversary of the date of Closing, the Management Agreement will terminate and the management of the REIT will be internalized at no additional cost to the REIT. Notwithstanding the foregoing, upon internalization, certain services, including leasing services, property management services and construction management services, will not be internalized on the basis that it would not be economical for the REIT to provide these services. Under this arrangement, the REIT will be able to take advantage of externalized management (subject to Inovalis’ right to internalize at any time) while such an arrangement is cost effective, yet benefit from internalized management at such time as it becomes economically feasible to internalize. See “Relationship with Inovalis – Management of the REIT – Internalization of REIT Management”.

Attractive, Sustainable Yield with a Conservative Financial Profile

We intend to pay stable and growing monthly cash distributions on our Units, initially expected to provide Unitholders and, through Luxco, holders of Exchangeable Securities, with an annual yield of approximately 8.25% and a payout ratio of approximately 93%. We will focus on providing strong risk-adjusted yields by managing our portfolio of properties using a prudent capital structure and conservative financial profile. On Closing, we expect the aggregate principal payments required under the Leaseholds to be approximately €84 million ($109 million), or approximately 52.7% of Gross Book Value (before the Hanover Owner reimbursement of approximately €2.8 million ($3.6 million)). We intend to use the current favourable debt and interest rate environment to prudently manage our overall financial leverage within a range of approximately 50% to 55% of Gross Book Value. This is expected to allow us to maximize

our return on equity while mitigating financial risk to Unitholders, by maintaining stability in cash flows. In addition, as a publicly-traded entity, we expect to benefit from having improved access to capital to assist us in executing our growth strategy.

Business and Growth Strategy

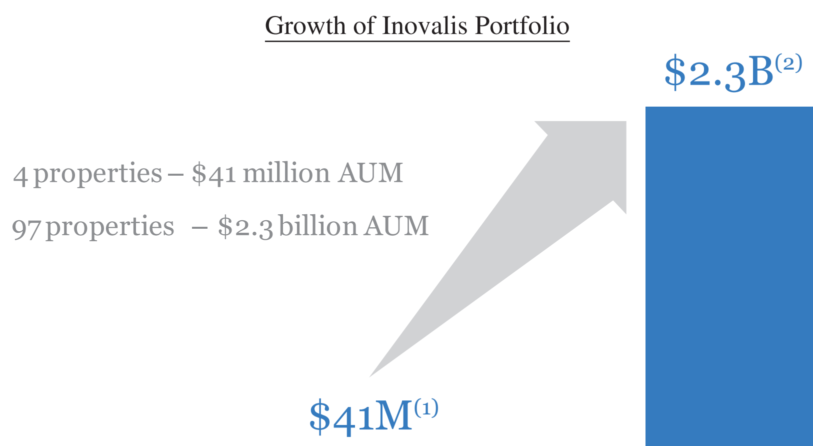
Our strategy will be to actively manage and expand our portfolio of commercial real estate by targeting accretive acquisitions in primary and secondary markets in France and Germany but also opportunistically in other European countries, while maintaining a conservative leverage profile and emphasizing a disciplined approach to managing each of our properties in order to capture their full economic upside potential.

Acquisition Strategy

We believe that superior returns can be achieved by targeting properties primarily located in urban city centres and major suburban regions across France and Germany where opportunities exist. As such, we intend to acquire stable income-producing properties that are accretive to us in locations and property sizes that will ensure regional economies of scale and geographic diversification in our existing portfolio in France and Germany.

We will only consider acquiring office properties that meet our investment criteria based upon tenant quality, market demographics, lease terms, opportunities for expansion, security of cash flows and potential for capital appreciation. We will benefit from the experience, expertise and extensive network of contacts and relationships that Inovalis has developed within the French and German real estate markets. We expect this to provide us with access to numerous accretive acquisition opportunities. Over the past 14 years, Inovalis has used its expertise and knowledge to successfully grow its portfolio of managed properties from four to 97, illustrating an ability to source and close real estate acquisitions.

Growth of Inovalis Portfolio



(1) Data as at November 16, 1998
(2) Data as at December 31, 2012
Note: Assumes an exchange ratio of C$1.307 per €1.00 Euro

As such, Inovalis' 14 years of experience has allowed it to develop strong local relationships. In France, Inovalis has approximately 235 tenants in 57 buildings. In Germany, Inovalis has approximately 190 commercial tenants in 40 buildings and 200 residential tenants.

The public market for real estate in France and Germany is far less advanced than the Canadian public real estate investment market. For example, in a country of only 34 million people, the Canadian publicly listed real estate market is worth approximately $70 billion as compared to $62 billion and $18 billion in France and Germany, respectively.

Furthermore, we expect the Right of First Opportunity to provide us with access to multiple acquisition opportunities over the next several years as funds managed by Inovalis approach their sunset dates and are required to divest of assets. Based on our discussions with Inovalis and our review of its existing portfolio under management, we have identified six office properties (three in France and three in Germany) having an approximate aggregate value,

based on valuations conducted in the fourth quarter of 2012, of approximately €179 million ($234 million) which are owned or managed by Inovalis and that could be attractive acquisition targets for the REIT over the next twelve months. The three properties in France have a total GLA of approximately 188,393 square feet (17,502 square metres) and the three properties in Germany have a total GLA of approximately 451,610 square feet (41,956 square metres). Although we are of the view that one or more of these six office properties may be suitable acquisition candidates for the REIT over the next twelve months, there can be no assurances that the REIT will acquire any such properties.

The following maps identify certain properties in the Inovalis pipeline that the REIT has identified as possible acquisition candidates for the REIT over the next several years:

Map of Possible Acquisition Candidates in Greater Paris Region and France

Map of Possible Acquisition Candidates in Germany

● Initial Properties
● Potential Acquisitions

Property	Leasable Area (sq. ft)	Primary Use	Occupancy Rate	Weighted Remaining Average Lease Term[(1)]	Expected Date by which Property Available to REIT[(2)]	Major Tenant
Rue Marjolin, Levallois, France	39,181	Office	100%	3.25 years	01/30/15	Publicis Groupe (Public Relations)
Boulevard des Italiens, Paris, France	66,606	Office	100%[(3)]	6.45 years	06/28/15	Gaumont Film Company (Film Production)
4 Avenue Didier Daurat, Blagnac Toulouse, France	82,606	Office	100%	5.00 years	01/30/15	Altran Group (Engineering Services)
Gillitzerstrasse, Rosenheim, Germany	97,715	Office	70%[(4)]	6.14 years	11/30/12[(5)]	HVB Gesellschaft für Gebäude (Real Estate)
Siemensstraße, Bad Homburg, Germany	90,481	Office	83%	1.50 years	01/29/15	Microsoft Corporation (Information Technology)
Wiesenstraße, Düsseldorf, Germany	263,414	Office	74%[(4)]	4.30 years	11/30/12[(5)]	BKK Essanelle (Government)
TOTAL	**640,003**	**Office**	**82%**	**4.43 years**		

(1) Weighted remaining average lease term calculated as of September 30, 2012.
(2) Notwithstanding the date by which the property is expected to become available to the REIT, management believes there is a possibility that the properties may become available sooner than indicated.
(3) The property located at Boulevard des Italiens, Paris, France recently underwent extensive renovations.
(4) This property does not meet all of the Investment Criteria today.
(5) Discussions between Inovalis and the lead investor are currently in process with respect to the possible extension of the fund's life by up to two years.

Inovalis, in its capacity as asset manager of the pipeline properties, will determine when to divest a particular property. Once the decision to divest is made, Inovalis will provide notice to the underlying fund which owns the particular property. One investor in the fund is often authorized to consent to the sale of the asset on behalf of the other investors. In addition to the consent of the underlying investor, Inovalis will be required to obtain the approval of the financial institutions which own the relevant leasehold, if applicable.

Pursuant to the Right of First Opportunity, Inovalis will not sell an ownership interest in a property managed or owned by it that meets the Investment Criteria, including the six properties listed above as possible acquisition candidates, unless such opportunity has first been offered to the REIT. Until such time as the possible acquisition candidates become available for purchase, the REIT will not take any steps towards acquiring such properties. Although the REIT intends to consider the acquisition of these properties when they become available, no assurance can be given that any such properties will be purchased by the REIT.

Certain of the office properties identified by the REIT as potential acquisition candidates currently have occupancy levels below the 80% threshold required by the Investment Criteria. The occupancy levels at each of these candidate properties is currently lower than expected as they are undergoing renovations. It is anticipated that by the time the properties are to become available to the REIT for purchase the renovations would be complete and the occupancy levels would improve. In any event, the REIT will not purchase a property that does not meet its Investment Criteria as then stated.

The reference to $600 million of real estate assets out of Inovalis' $2.6 billion portfolio currently meeting the Investment Criteria contained on Slide 14 of the management investor presentation and the statement that these properties could be vended into the REIT in the next 12 months, as discussed on the National Retail Conference Call on March 7, 2013 at 11:00 AM (EST) was meant only for illustrative purposes to highlight a portion of the Inovalis portfolio that could become available to the REIT. Although the REIT intends to consider the acquisition of these properties, all of such properties do not currently match all of the REIT's investment criteria and therefore no assurance can be given that any of such properties will be purchased by the REIT.

The disclosure immediately above includes forward-looking information. Certain material factors or assumptions are applied in making these forward-looking statements and actual results may differ materially from those expressed or implied in the above map and chart. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the following: (i) we will receive financing on acceptable terms; (ii) there will be no changes to tax laws adversely affecting our financing capability or ability to acquire assets; (iii) the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with the our current expectations; (iv) there will be no material changes to government and environmental regulations adversely affecting our operations; (v) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (vi) capital markets will provide us with readily available access to equity and/or debt financing. We do not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. For more information on the risk factors that could cause our actual results to differ from current expectations, see "Risk Factors". Please refer to "Forward-Looking Information".

Financing Strategy

The REIT intends to manage its portfolio of properties using a prudent capital structure and conservative financial profile, while maintaining a conservative debt ratio and generating stable cash flows sufficient to fund its distributions. On Closing, we expect the aggregate principal payments required under the Leaseholds to be approximately €84 million ($109 million), or approximately 52% of the market value of the Initial Properties. Our Declaration of Trust provides that the REIT shall not incur or assume any Indebtedness if, after giving effect to the incurrence or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 55% of our Gross Book Value (or 60% of Gross Book Value including any convertible debentures). On Closing, the existing payments required under the Leaseholds will continue as set forth on the table under "Initial Properties – Profile of Payments under Leaseholds", although the REIT intends to revisit its existing head lease structure with a view to exercising its option to acquire the French Properties using mortgage financing within the first year following Closing. We intend to use the current favourable debt and interest rate environment to prudently manage the overall financial leverage within a range of 50% to 55% of our Gross Book Value. This will allow us to maximize our return on equity while mitigating financial risk to Unitholders, by maintaining stability in cash flows.

Portfolio Management Strategy

Our portfolio management will consist of various management services to be provided by Inovalis.

Management services will be provided by Inovalis pursuant to the Management Agreement. In particular, Inovalis will provide the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. In addition, the management services provided by Inovalis will include leasing services. Inovalis' leasing strategy will focus on maintaining strong tenant relations and re-leasing premises as leases come due. Renewal of existing tenant leases, as opposed to tenant replacement, often provides the best opportunity for increasing operating results while minimizing marketing, leasing and tenant improvement costs and avoiding interruptions in rental income from periods of vacancy. Inovalis' experienced management team plans to capture the economic upside potential in each individual property through strategic management that nurtures existing tenant relationships and focuses on meeting the changing needs of tenants. We intend to focus on acquiring properties with medium to long term leases to high quality tenants, thereby reducing exposure to lease terminations. Upon each lease renewal, we plan to stagger lease termination dates, such that only a portion of the overall portfolio will become available for lease in any given year. In addition to providing cash flow stability, higher quality tenants typically require fewer resources to manage individual properties. Furthermore, Inovalis has agreed to internalize the management functions of the REIT at no cost to Unitholders upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable Securities held by Inovalis) based on the VWAP over a 20 day trading period; and (ii) the fifth anniversary of the date of Closing. See "Relationship with Inovalis – Management of the REIT".

Property management services for the Initial Properties will also be provided by Inovalis pursuant to the Management Agreement. Property management services may vary by property, but typically consist of the financial services necessary for the day-to-day operations of the REIT's properties, such as property budgeting, rent billing and collection, maintenance of books and records, tax filings and payment and maintaining tenant relationships. Inovalis will generally provide property management services directly for the French Properties and will contract directly with an arm's length property manager to provide property management services to the property located in Hanover. Property management fees payable by us pursuant to the Management Agreement are generally recoverable from tenants under the leases for the Initial Properties. See "Relationship With Inovalis – Management of the REIT".

INDUSTRY OVERVIEW

All figures in this section have been converted from Euros to Canadian dollars using an exchange rate of 1.307, unless otherwise noted.

Business Environment

We believe that the economies of France and Germany are demonstrating positive indicators of a stable and growing economy that is appealing to investors seeking stable, sustainable and growing cash flows.

France

France is a nation of over 65 million people and has long been one of the world's wealthiest and most developed national economies. According to the International Monetary Fund (the "**IMF**"), France's economy ranked fifth largest in the world by nominal figures and ninth largest by purchasing power parity in 2011. The IMF also estimates that France had the second largest economy in nominal figures in Europe in 2011 just behind Germany, its main economic partner.

France is among the world's leading industrial economies in the automotive, aerospace, and railway sectors as well as in cosmetics, luxury goods, insurance, pharmaceuticals, telecoms, power generation, defence, agriculture and hospitality. According to the CIA World Factbook, France ranked sixth in the world as measured by exports, with a total value of US$590 billion in 2011.

France's economy entered the recession of the late 2000s later and left it earlier than most comparable economies, enduring only four quarters of economic contraction. In 2011, France's GDP grew at a rate of 1.85%, below Germany's growth of 2.9%, but well ahead of the United Kingdom which grew by only 0.6%.

Fortune Global 500 reports that in 2012, 32 of the world's 500 largest public companies, measured by revenue, were headquartered in France, including 31 in Paris, more than in New York, London or Munich. The CIA World Factbook notes that French companies are ranked as leading firms in major strategic economic sectors including Total (oil), AXA (insurance), BNP Paribas (banks), Carrefour (retail real estate), GDF-Suez (energy), Credit Agricole (banks), Électricité de France (utility), Societe Generale (banks), Peugeot (automakers), Groupe BPCE (banks), France Télécom (telecommunications), CNP Assurances (insurance), Groupe Auchan (retail), Renault-Nissan (automakers), Veolia Environnement (environmental services and water management), Sanofi Aventis (pharmaceuticals), and VINCI (construction).

Germany

Germany is a country of over 81 million people and, according to the IMF, Germany's economy ranked fourth largest in the world by nominal figures and fifth largest by purchasing power parity in 2011. The IMF also estimates that, in 2011, Germany had the largest economy in nominal figures in Europe. The CIA World Factbook estimated that Germany's GDP, as measured by purchasing power parity, increased 6.7% to US$3.1 trillion in 2011.

According to the CIA World Factbook, Germany is among the world's largest and most technologically advanced producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food and beverages, shipbuilding and textiles and ranked third in the world as measured by exports, with a total value of US$1.5 trillion in 2011.

Fortune Global 500 reports that, in 2012, 32 of the world's 500 largest public companies, measured by revenue, are headquartered in Germany. The CIA World Factbook also notes that German companies are ranked as leading firms in major strategic economic sectors including Volkswagen (automakers), E.ON (energy), Daimler (automakers), Allianz (insurance), Siemens (technology), BASF (chemicals), BMW (automakers), Metro (retail), Munich Real Estate Group (insurance), Deutsche Telekom (telecommunications), Deutsche Post (logistics), Deutsche Bank (banks), Robert Bosch (manufacturing), ThyssenKrupp (technology) and RWE (energy).

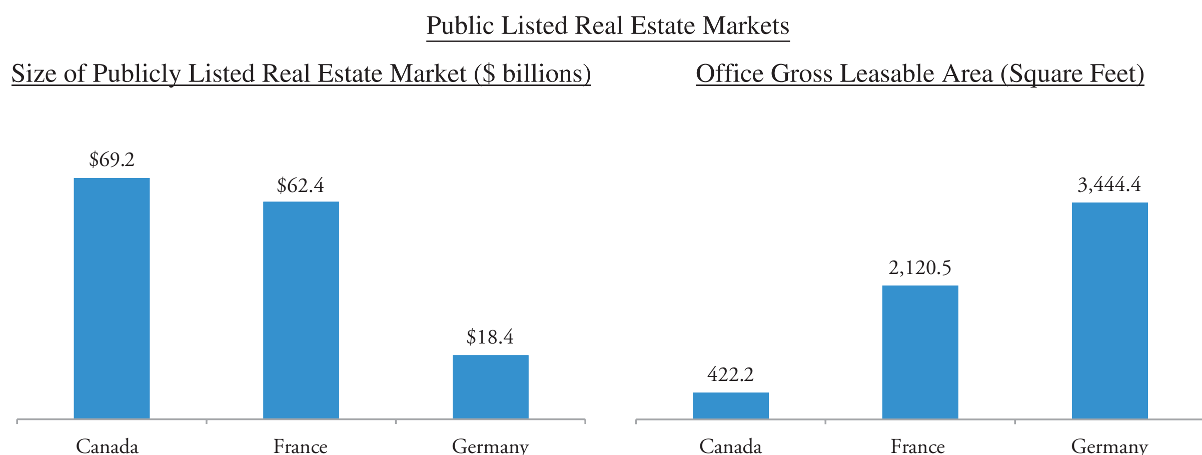
French and German Commercial Public Real Estate Market

The commercial real estate sector in France and Germany is similar to that of Canada in many respects, including a strong focus on building and maintaining long-term relationships with tenants, an active brokerage community and a

developed lending market. Most notably, France continues to exhibit positive real estate fundamentals. According to CBRE, in the second half of 2011, Paris overtook London as the top city in Europe for property investment. During the first quarter of 2012, AEW European Real Estate Quarterly reported that of the largest European real estate markets, only France managed to post an increase in investment activity with volumes rising 9% year over year during the first quarter of 2012. According to BNP Paribas Real Estate, commercial real estate volume was significant in Germany throughout 2012, with Frankfurt and Munich recording unexpected growth of 9% and 26%, respectively, relative to 2011.

However, the public market for real estate companies in France and Germany is much less developed than in Canada, as real estate investment trust legislation was introduced less than 10 years ago in both France and Germany. As the following graph illustrates, despite a much larger real estate market as measured by Gross Leasable Area (“**GLA**”) than Canada, the size of France and Germany’s publicly listed real estate market remains smaller than that in Canada.

Public Listed Real Estate Markets



Source: Bloomberg Financial Markets as at Q3 2012 applying an exchange rate of C$1.307/€.

Source: CB Richard Ellis for Canadian GLA, Organization Régionale de L’Immobilier D’Entreprise for France GLA and Bulwiengesa AG Statistic for German GLA.

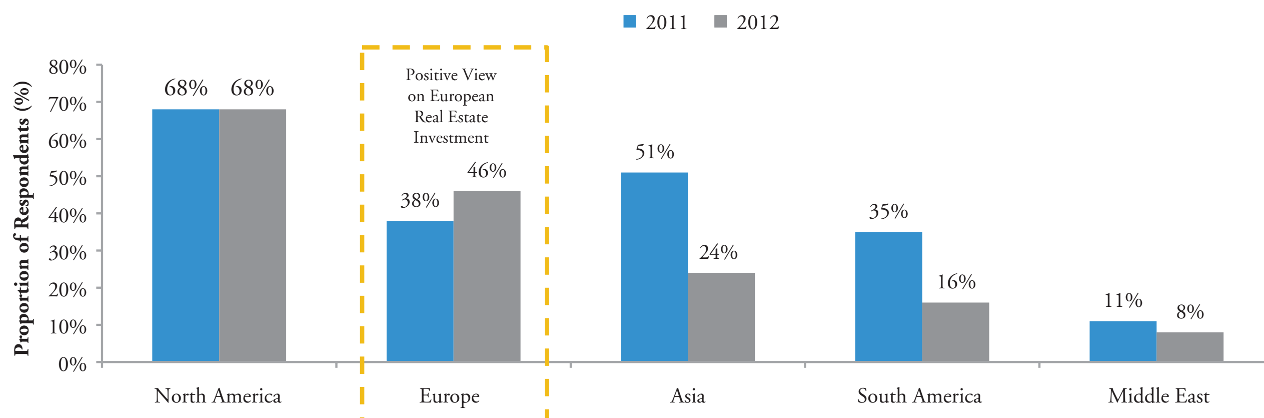
France’s publicly listed market for real estate investment companies is relatively new, with real estate investment trust legislation only having come into effect in France in 2003. Regulations on French real estate investment trusts are very liberal, characterized by no limits on percentage equity holdings for shareholders. Consequently, the Société d’Investissement Immobilier Cotée (“**SIIC**”), a French corporate structure that allows tax-efficient distributions to SIIC shareholders, is attractive for foreign investors. While the French public real estate investment trust sector has grown considerably from its introduction in 2003 to September 30, 2012, Inovalis management believes it is still under-developed relative to the Canadian real estate investment trust sector. Moreover, Inovalis management believes that the French market for real estate investment companies can be characterized as illiquid, with concentrated ownership dominated by large insurance companies. According to Bloomberg data, the top five unitholders represent on average 72% of a real estate investment trust’s ownership in France relative to only 42% in Canada.

Inovalis management believes that the German publicly listed real estate sector is also under-represented, given the size of the market and economic strength of the country. Traditionally, Germans have invested in real estate through open-ended funds through bank distribution networks, which Inovalis management believes has resulted in higher capital costs for real estate companies and reduced liquidity for investors as compared to a publicly traded real estate structure. German real estate investment trust legislation was first introduced in 2007 in the form of German real estate investment trusts (“**G-REITs**”) and the public real estate market has shown minimal growth since then, according to Bloomberg data. Bloomberg also notes that, since January 1, 2007 (the date in which the German REIT Act was retroactively put into effect), the German public real estate market, according to market capitalization, contracted by 7.9% as at September 30, 2012, whereas, for the same period, the Canadian public real estate market has expanded 52.3%. Furthermore, the German public has traditionally been less inclined to own public equities, with only 10% of the population invested in equities as compared to 49% in Canada, according to a 2011 DAI Deutsches Aktieninstitut Poll and information compiled by the TSX Group in “Canadian Shareowners Study” published in 2004.

It is believed that the low level of public investment in equities has restricted the growth of the market for publicly listed real estate investment companies in Germany.

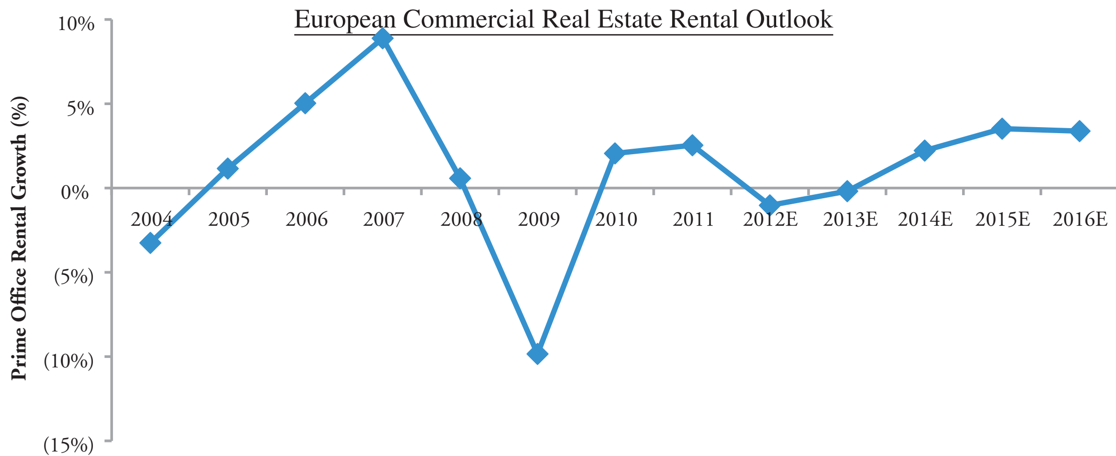
According to BNP Paribas, the real estate markets in France and Germany have been injected with a steady and positive inflow of capital in commercial real estate over the last four years, a trend which is expected to support rental growth going forward. Investor attitudes towards European private real estate have improved over the last two years. According to Preqin 2011 and 2012 Alternatives Investment Consultant Review, 46% of investment consultants interviewed stated they believe that there are good opportunities for investment in Europe, an increase from the 38% which expressed the same opinion in 2011. As such, Preqin noted that a driver of capital inflow will be a result of the sentiment among consultants who expected good European opportunities to arise from distressed assets and expanding debt fund markets.

Regions Viewed by Consultants as Presenting the Best Opportunities in Private Real Estate (2011 to 2012)



Source: Preqin Real Estate Spotlight (December 2012)

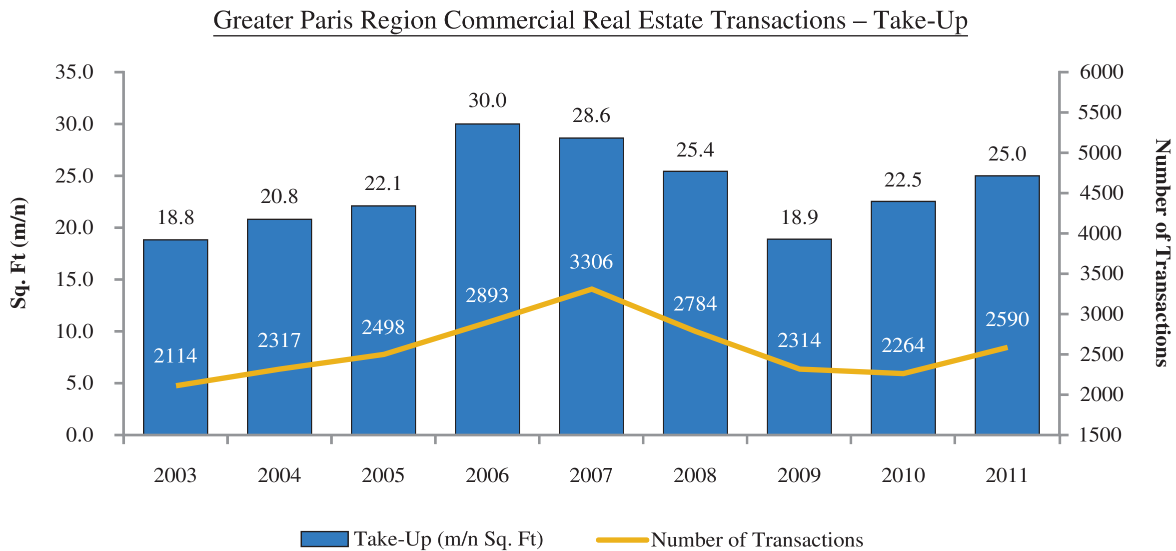
As a result of strong capital inflow into real estate, low supply and an improving economy, European prime rental growth is forecasted by RREEF Real Estate to rise steadily in all sectors beginning in 2013. A RREEF Global Real Estate Strategic Outlook published in April 2012 suggests that the supply-constrained Paris Central Business District ("**CBD**") is expected to enjoy a strong recovery, with rents averaging a growth rate of approximately 4.0%, while solid net absorption in Germany is also expected to fuel above rental growth of between 2.5% and 3.0%.



Source: REEF European Real Estate Strategic Outlook 2012

Office Market in the Greater Paris Region

According to the KPMG European Real SnapShot! published in the spring of 2012 (the "**KPMG Report**"), with over €12 billion ($16 billion) invested, the office market in the greater Paris region represented 75% of all investments in French commercial real estate in 2011. The KPMG Report states that, in the greater Paris region, the most dynamic office market in France, absorption continued to improve in 2011 with over 2.3 million square metres (25.0 million square feet) of office space being leased or sold to tenants (i.e. "taken up"), representing an increase of 11% over 2010. As the graph below illustrates, this increase was supported primarily by a large number of commercial real estate transactions for areas greater than 5,000 square metres (53,800 square feet).

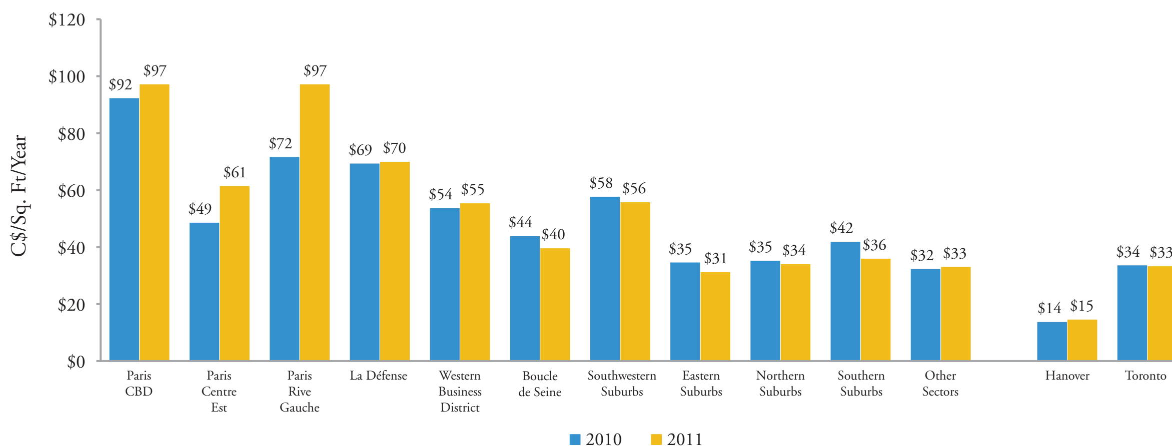


Source: Cushman & Wakefield

Despite the resistance of the market in 2011, research from both DTZ and Cushman & Wakefield suggested that available supply in commercial real estate assets has remained stable for the past three years, both in the greater Paris region and in regional markets, with 4.9 million square metres (52.7 million square feet) of offices immediately available for lease nationally at the end of 2011. According to DTZ and Cushman & Wakefield, while rental values remained stable in 2011, the relative scarcity of new supply increased pressure on prime rental values, which in 2012 have ranged from €150 per square metre per year ($18 per square foot per year) to €260 per square metre per year ($32 per square foot per year) in the secondary markets outside of Paris. In the Parisian market, prime rental values for

commercial real estate are approximately €800 per square metre per year ($97 per square foot per year) due to scarcity of quality supply, according to research by DTZ Research and Cushman & Wakefield and shown in the graph below.

Prime Rental Values for Commercial Real Estate – Paris Market



Source: Cushman & Wakefield

According to DTZ Research, the number of new office space construction projects in France, which had been consistently decreasing for the past three years, increased 40% in 2011 due to signs of economic recovery, coupled with a shortage of high quality premises. New projects launched in 2011 represented 3.9 million square metres (42.0 million square feet) of office space, compared with 2.8 million square metres (30.1 million square feet) in 2009 and 2010 according to DTZ Research.

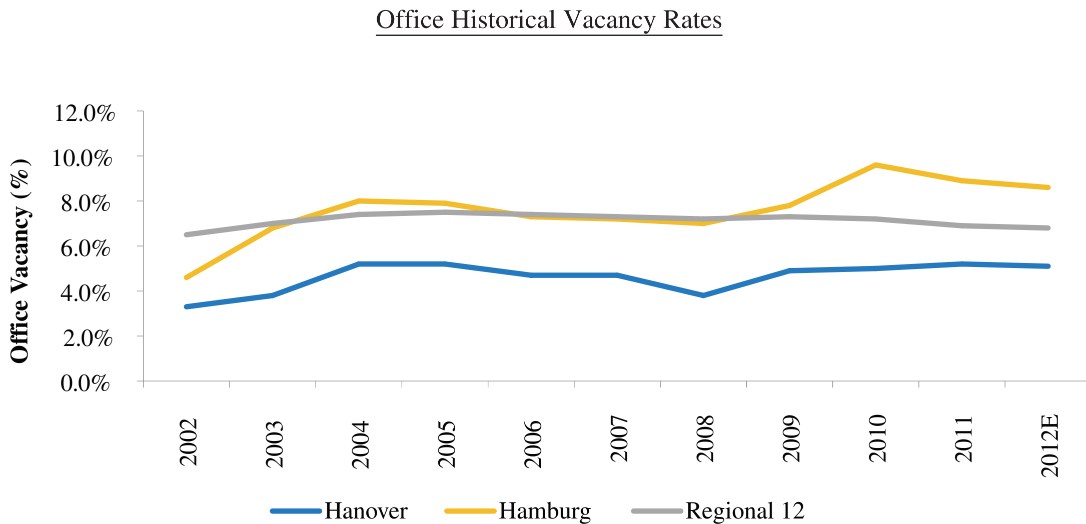
Office Market in Hanover, Germany

Hanover is the largest city in the state of Lower Saxony, located in the North West of Germany, with 520,000 inhabitants, and is the capital of the federal state. The city is both the administrative centre and the most important economic location in Lower Saxony. Auto manufacturing and supply industry, mechanical engineering and the insurance industry are important pillars of the economy. A series of large companies have established themselves in Hanover, including the group headquarters of Continental, TUI, Hanover Re and Talanx. Nord LB and Volkswagen, with its commercial vehicle production facility, also have offices in Hanover. Hanover is also an important scientific location home to the Leibnitz University and the Hanover Medical School. Annual economic output per inhabitant of €49,000 ($64,000) is ranked second among the regional centres in Germany.

Hanover's two A2 and A7 motorways together with ICE rail links create excellent connections to Berlin, Hamburg and Bremen. The city is also well connected to the important economic centres in North Rhine-Westphalia and the Rhine Main area. Hanover has an international airport and the world's largest trade fair site (by virtue of EXPO 2000), which hosts the CeBIT, amongst others. Inovalis management believes that Hanover is ideally positioned as a regional centre and offers a good foundation for the property market.

According to Deutsche Genossenschafts-Hypothekenbank, Hanover has one of the largest office property markets among the various regional centres in Germany, with 4 million square metres (43 million square feet). Hanover's vacancy rate, currently standing at only 5%, has consistently been lower than Hamburg's and the average of the 12 Regional Markets, reflecting disciplined construction of office space based on actual needs, as shown in the graph below.

Office Historical Vacancy Rates

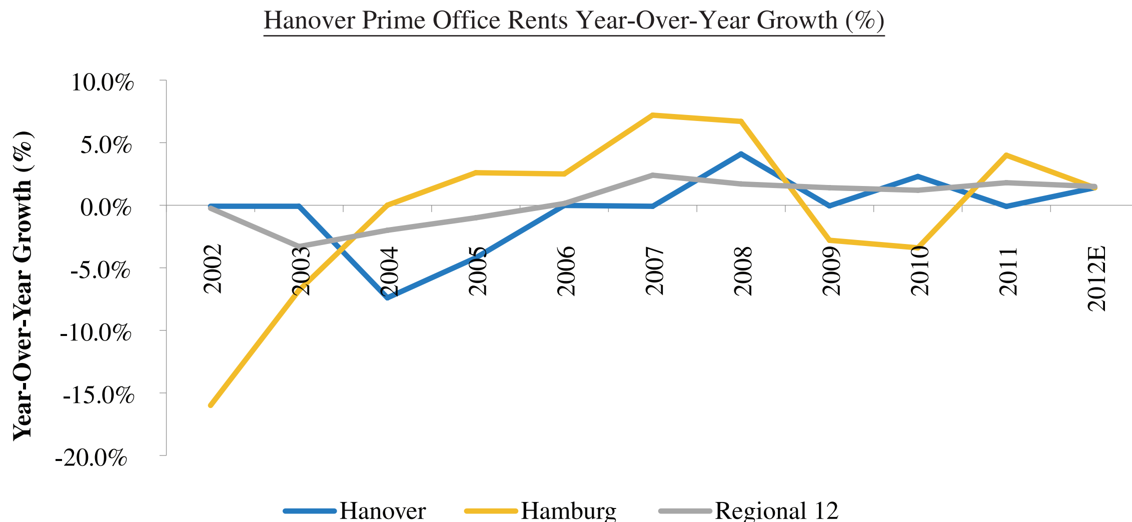


Source: Fetri, DZ BANK Research forecast.

Note: The 12 Regional Markets of Germany include Augsburg, Bremen, Darmstadt, Dresden, Essen,Hanover, Karlsruhe, Leipzig, Mannheim, Mainz, Münster and Nuremberg.

Rental levels in Hanover were largely unaffected by the global financial crisis. Monthly rents have increased since 2007 to approximately €13 per square metre ($1.60 per square foot), approaching their 2002 levels, as illustrated in the graph below.

Hanover Prime Office Rents Year-Over-Year Growth (%)



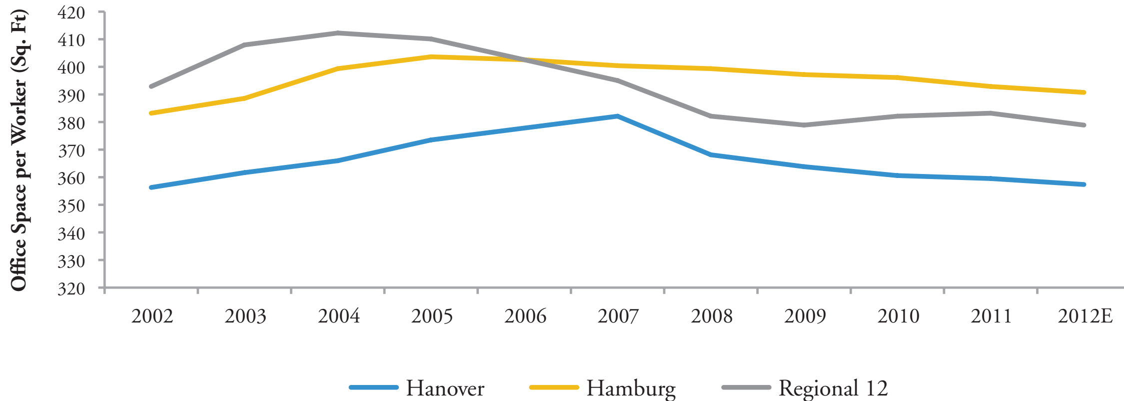
Source: BulwienGesa, DZ BANK Research forecast.

Note: The 12 Regional Markets of Germany include Augsburg, Bremen, Darmstadt, Dresden, Essen,Hanover, Karlsruhe, Leipzig, Mannheim, Mainz, Münster and Nuremberg.

Turnover in the Hanover office market has consistently been above 1,000,000 square feet (100,000 square metres) annually since 2007. The vacancy rate was largely unchanged in 2011, despite the above average increase in office space through the construction of the new HDI/Talanx offices.

The increase in the number of office workers has been relatively strong in 2012, according to Deutsche Genossenschafts-Hypothekenbank. Given the relatively low volume of completions in 2012, Deutsche Genossenschafts-Hypothekenbank expects the upside trend for top rents to remain intact for 2012, as illustrated in the graph below.

Office Space per Worker in Hanover



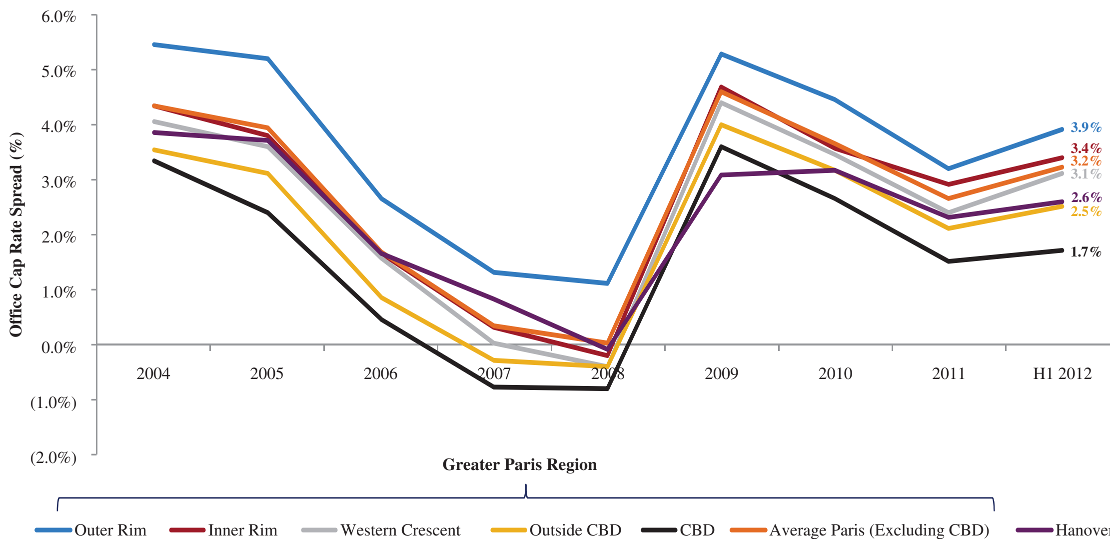
Source: Fetri, DZ BANK Research forecast.

Note: The 12 Regional Markets of Germany include Augsburg, Bremen, Darmstadt, Dresden, Essen,Hanover, Karlsruhe, Leipzig, Mannheim, Mainz, Münster and Nuremberg.

The Opportunity

Management believes a unique real estate investment opportunity exists in the greater Paris region with historical office capitalization rate spreads trending upwards.

Greater Paris Region Historical Office Capitalization Rate Spreads

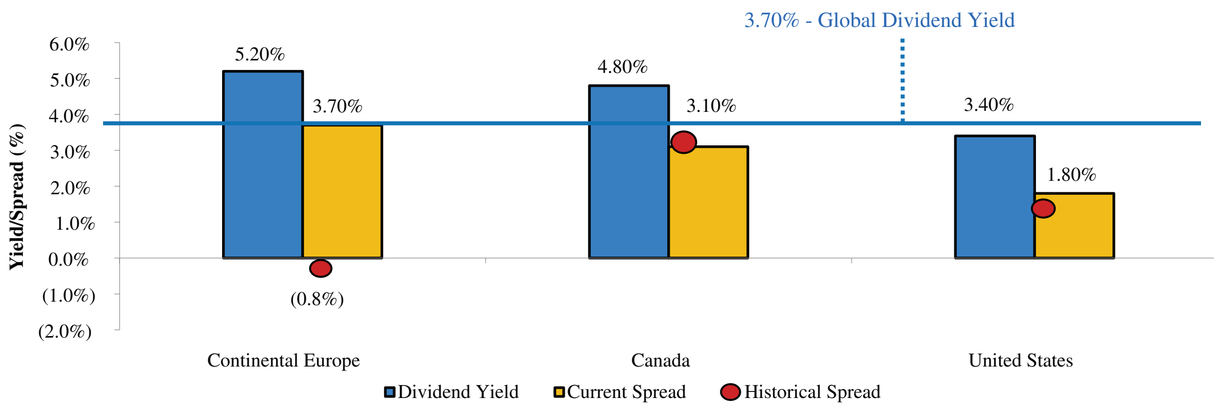


Source: BNP Paribas for Parisian data and Real Estate Advisory Group, IVG Research. Thomas Daily and the Chamber of Industry and Commerce Hanover for Hanover data.

Note: Office capitalization rate spread in relation to the historical three month Eurobor plus bank margin

The concept is also expressed by global investment managers such as Cohen & Steers. According to their report entitled "Assessing the Landscape of European Real Estate" dated September 2012, the opportunity for non-European companies to invest in Europe at positive spreads is one which is unique. The investment thesis is further supported by the fact that rents in European markets such as France and Germany are indexed to inflation.

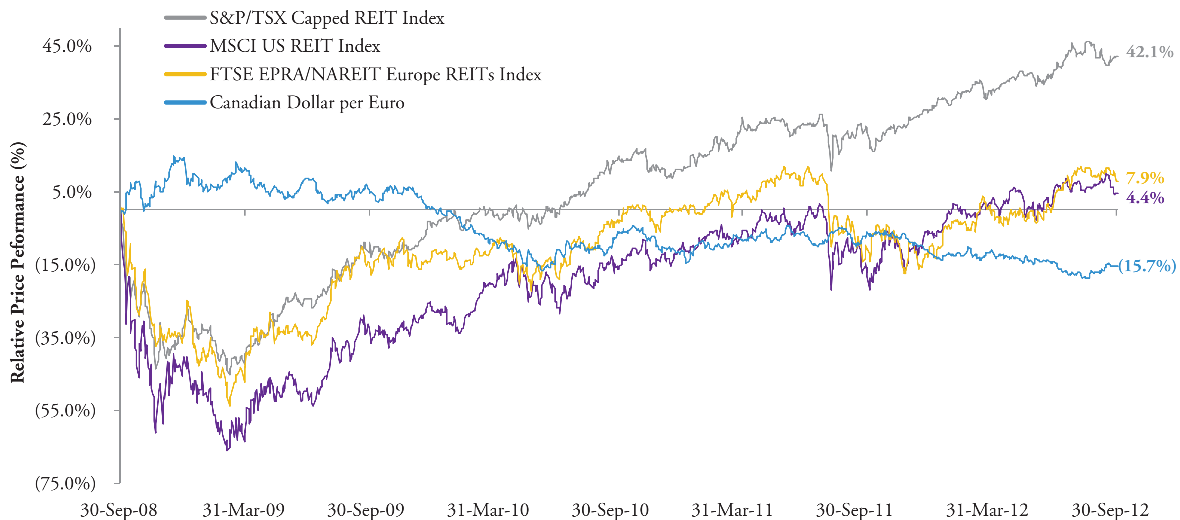
Dividend Yield Spread to 10-Year Sovereign Bonds



Source: CBRE Clarion, FactSet and Bloomberg as of September 30, 2012.
Note: Spread calculated by comparing property company dividend yields

Management observes that while Canadian real estate investment trusts have increased over 150%, as measured by the change in the S&P/TSX Capped REIT Index since their lowest point in March 2009, European real estate investment trusts have only recently returned to positive growth, a performance that has lagged key economic indicators.

Relative Price Performance of Benchmark Indices



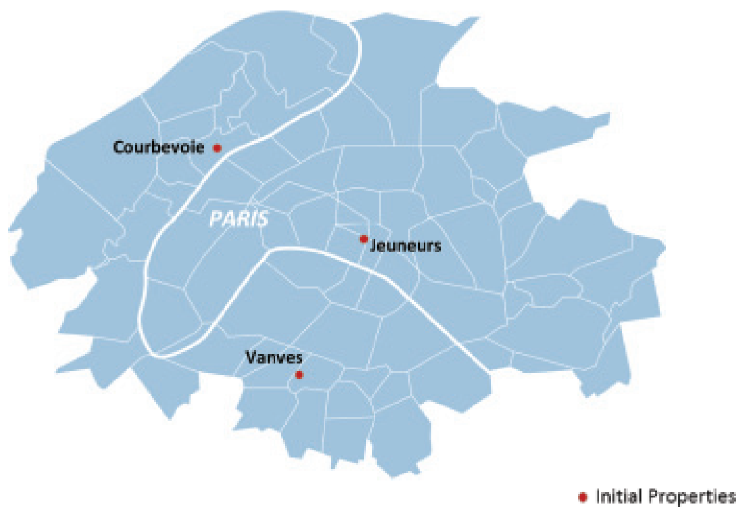
Source: Bloomberg as at September 30, 2012
Note: FTSE EPRA/NAREIT Europe REITs Index measures 36 companies from 6 countries across Europe

THE INITIAL PROPERTIES

Overview

The Initial Properties consist of four office properties in France and Germany, comprising approximately 529,267 square feet (49,170 square metres) of GLA with a portfolio occupancy rate of approximately 96% (not including the impact of the Vendor Leases) and a weighted remaining average lease term of 8.9 years (not including tenant early termination rights), offering a stable lease rollover profile. Three of the Initial Properties are located in France, all of which are situated in the greater Paris region. The remaining property is located in the German city of Hanover.

Map of French Properties in Greater Paris Region



Map of Hanover Property in Germany

The Initial Properties are strategically located in major city and town centres, generally in close proximity to public transit. The locations typically provide excellent visibility, access to a major street and city centre pedestrian and shopping areas. Given their central and strategic locations, we believe that these properties will continue to be attractive to office, commercial, industrial and retail tenants.

In Paris, one of the Initial Properties is located in the traditional financial area of the central business district. As a result, the location is served by a comprehensive road and public transportation network. The property is also a short walk from metro lines and is in close proximity to public car parks. The other two Initial Properties that are located in France are located within the outlying business areas of Paris, placing them in close proximity to the centre of the city. These locations are also easily accessible due to excellent public transport such as metro and bus lines.

The property in Hanover, Germany is located in the industrial part of the city and is approximately three kilometres from the city centre. Access to the city centre is provided by buses and trams located in close proximity to the property.

Property Highlights

Growth and Development of the Initial Properties

Inovalis has a history of providing significant value in its role as an asset manager. Set out below are examples of how Inovalis has assisted in the growth and development of the Initial Properties:

- Between January 1, 2009 and December 31, 2011, Inovalis maintained NOI margins on the Initial Properties between 76% and 80%, attesting to the portfolio's quality of tenants and majority quadruple lease structure.
- Between January 1, 2009 and September 30, 2012, Inovalis improved the portfolio occupancy of the Initial Properties from 89% to 95.8%.

Investors are cautioned that historical performance is not necessarily indicative of future performance.

Overview of the Initial Properties

The table below highlights certain information about the Initial Properties as of September 30, 2012.

Paris, France

Property Name	Property Address	Year Built (Refurbished)[1]	GLA (sq. ft)	Number of Tenants	Leased or Committed[2]	2013E Gross Income[3] (000s($))
Dubonnet Property	19/21 avenue Dubonnet, 92400 Courbevoie, France	1970 (2010)	96,111	6	93%	4,041
Jeûneurs Property	40, rue des Jeûneurs, 75002 Paris, France	1890 (2006 to present)	50,407	1	100%	3,307
Vanves Property	2 rue Auguste Comte, 92170 Vanves France -and- 4 rue Auguste Comte, 92170 Vanves France -and- 6 rue Auguste Comte, 92170 Vanves France	1982	258,673	4	94%	11,057
Subtotal (France)			**405,191**	**11**	**94.5%**	**18,405**

Hanover, Germany

Property Name	Property Address	Year Built (Refurbished)[1]	GLA (sq. ft)	Number of Tenants	Leased or Committed[2]	2013E Gross Income[3] (000s($))
Hanover Property	Hans-Boeckler-Allee 11, 30173, Hanover, Germany	2000	124,076	1	100%	1,819
TOTAL (France & Germany)			**529,267**	**12**	**95.8%**	**20,225**

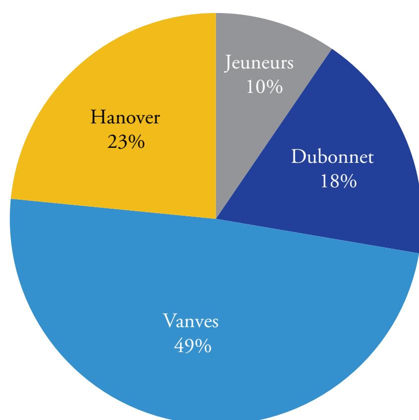
(1) "Refurbished" means that the property was renovated for an incoming new tenant.

(2) Figures do not include the impact of the Vendor Leases described under "The Initial Properties – Vendor Leases".

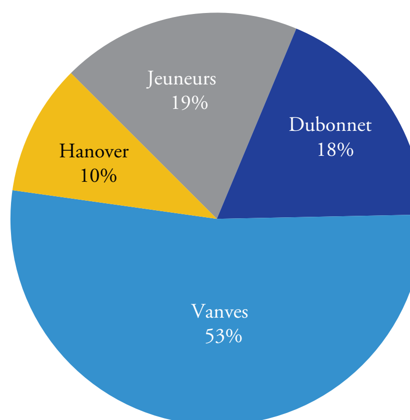
(3) Gross Income means rental income plus service charge income for the 12-month period ending December 31, 2013. Figures include the impact of the Vendor Leases and the straight lining of the rents. See "Financial Forecast".

It is expected that approximately 77% of the REIT's GLA and 91% of its forecasted 2013 NOI will come from the French Properties. The following graphs provide a breakdown of the GLA and NOI of the Initial Properties by each property.

Percentage of GLA by Property



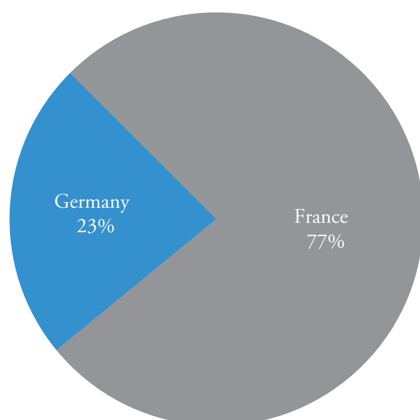
Percentage of 2013 Forecast NOI by Property



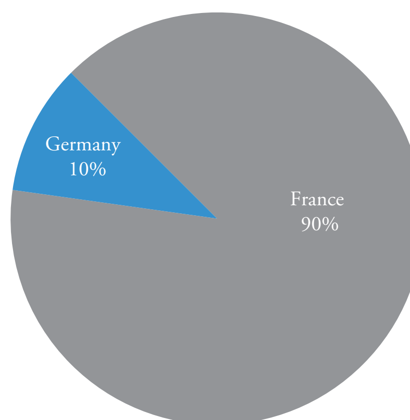
Note: NOI is for the period ending December 31, 2013.

The following graphs illustrate the geographic distribution of the Initial Properties, measured by GLA and forecast NOI:

Portfolio GLA by Geography



Portfolio 2013 Forecast NOI by Geography



Tenants representing approximately 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease. Under a Quadruple Net Lease, the tenant pays not only for the use of the premises but also for the landlord's operating costs including, but not limited to, property taxes, building insurance, common area maintenance and utilities. With the exception of the National Conservatory of Arts and Crafts and Fresh & Co., the majority of the remaining tenants are subject to a Triple Net Lease, which means that the tenants pay for most of the landlord's operating costs including, but not limited to, property taxes, building insurance and common area maintenance, but do not pay for utilities. Under both a Quadruple Net Lease and Triple Net Lease, the tenant is responsible for all repairs to the leased premises (other than repairs of a capital or structural nature) and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and maintenance of parking lots as well as garbage collection.

Pursuant to the lease agreement with the National Conservatory of Arts and Crafts, none of the taxes legally due by the applicable French SPV will be recoverable, with the exception of property taxes and office taxes. Similarly, pursuant to the Fresh & Co. and French Environment and Energy Management Agency lease agreements, several forms of taxes, including but not limited to, property taxes, household refuse taxes and annual office taxes will be borne by the applicable French SPV.

Since most costs – including those related to property tax, building insurance and all repairs (other than repairs of a structural or capital nature) – are the responsibility of the tenant, the REIT benefits from enhanced cash flow predictability compared to landlords with other types of lease structures.

Tenant Mix

The tenant base in the Initial Properties is well-diversified from an industry segment standpoint, with many tenants having large national or multinational footprints. The top seven tenants of the Initial Properties account for 88% of Gross Income. The average lease premises size per tenant is approximately 44,105 square feet (4,097 square metres) and the weighted average in place annual net rent for the Initial Properties per square foot is $28 (€233 per square metre) as at September 30, 2012. Between France Telecom, Facility Services Hannover GmbH, the National Conservatory of Arts and Crafts, the French Environment and Energy Management Agency and Smart & Co., approximately 81% of the Initial Properties' tenants, as measured by 2013 estimated gross income contribution, are French public agencies or have rent guarantees from a large German or international bank.

Top-Seven Tenants

The following table shows our seven largest tenants, by percentage of total GLA and contribution to total rent:

	Tenant	Tenant Sector	Tenant Since	GLA (sq. ft.)	% of Total GLA (sq. ft.)	2013E Gross Income Contribution (000s C$)(1)(2)	% of Total 2013E Gross Income(2)
1	France Telecom	Telecommunications	05/15/1999	186,070	35.2%	7,814	38.6%
2	National Conservatory of Arts and Crafts	Education and Training	01/01/2003	50,407	9.5%	2,999	14.8%
3	French Environment and Energy Management Agency	Public Sector Environmental and Energy / Government	06/17/1982	49,460	9.3%	2,021	10.0%
4	Facility Services Hannover GmbH	Banking / Real Estate	04/01/2003	124,076	23.4%	1,819	9.0%
5	Smart & Co.	Leisure Gifts	10/01/2010	48,981	9.3%	1,656	8.2%
6	Westcon Group European Operations Limited *(a subsidiary of Westcon Group)*	Distribution	06/15/2008	23,659	4.5%	1,206	6.0%
7	DSM France *(a subsidiary of DSM Nutritional Products)*	Nutritional Products and Pharmaceuticals	12/01/2008	6,405	1.2%	292	1.4%
	Total			**489,056**	**92.4%**	**17,807**	**88.0%**

(1) Converted using an exchange rate of 1.2996, equal to the 10-day trailing average as at January 15, 2013.

(2) Gross Income means rental income plus service charge income for the 12-month period ending December 31, 2013. Figures include the impact of the Vendor Leases and the Lease Equalization Agreements. See "Financial Forecast."

Note: The gross income contribution calculation in respect of France Telecom and Smart & Co. includes the applicable pro rata impact of the lease equalization payment.

France Telecom

France Telecom is a French multinational telecommunications corporation. With revenues of over €45 billion ($58 billion) and operations that currently employ 172,000 people in 35 countries worldwide, France Telecom is one of the largest telecommunications companies in the world. The company offers its customers numerous services, including fixed line telephone access, broadband internet access, mobile phone service and internet protocol television. France Telecom is listed on the New York Stock Exchange and Euronext Paris, with the French government holding an approximate 27% ownership interest in the company.

The National Conservatory of Arts and Crafts

The National Conservatory of Arts and Crafts is a doctoral degree-granting higher education establishment dedicated to providing education and conducting research for the promotion of science and industry. Originally founded during the French Revolution in 1794, the institution is now supervised by the French Ministry of Higher Education. The National Conservatory of Arts and Crafts provides continuing education courses for adults seeking to obtain engineering, multidisciplinary science and business degrees.

French Environment and Energy Management Agency

The French Environment and Energy Management Agency is a French public agency under the joint authority of the Ministry of Ecology, Sustainable Development and Energy and the Ministry for Higher Education and Research. With a staff of over 800 employees, three central offices and 26 regional branches, the agency is charged with protecting the environment and managing energy use in France.

Facility Services Hannover GmbH

Facility Services Hannover GmbH is a fully owned subsidiary of Sparkasse Hannover. Sparkasse Hannover is a savings and loan bank which operates a network of over 100 branches throughout Hanover. Headquartered in the city of Hanover, Sparkasse Hannover employs approximately 2,400 people and offers its customers a variety of banking and financial services, including savings deposits management, securities brokering, term deposit management, mortgages, consumer, investment and small business loans, commercial leasing, foreign currency exchange and business, and electronic banking.

Smart & Co.

Smart & Co. is a leader in the area of experience gifts with 800 employees operating in 13 countries. With 80 different gift box options and 25,000 points of sale, Smart & Co. has provided experience gifts to over 4.8 million people worldwide since its founding in 2003. In 2011, the company’s total revenues were approximately €400 million ($520 million).

Westcon Europe

Westcon Europe is a subsidiary of Westcon Group. Westcon Group is a value added distributor of category-leading unified communications, network infrastructure, data center and security solutions with a global network of specialty resellers. The company’s Comstar business unit is a dedicated provider of Cisco networking, collaboration and data center solutions. Headquartered in Tarrytown, New York, Westcon Group currently has over 100 offices in 58 countries with revenues in excess of U.S.$4 billion in 2011.

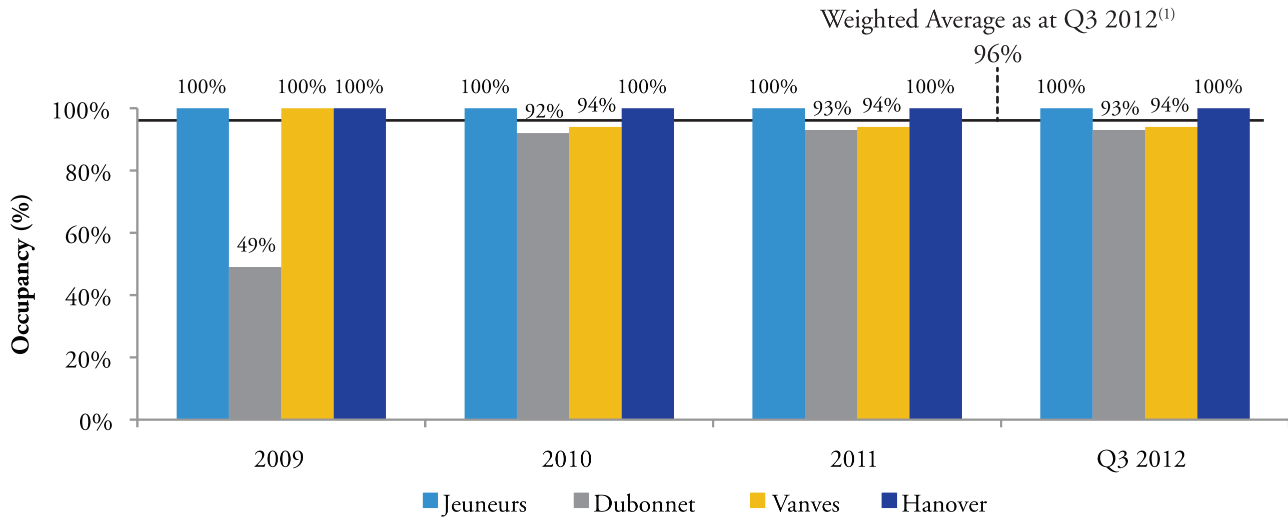
DSM France

DSM France is a subsidiary of DSM Nutritional Products, a leading supplier of bulk vitamins, carotenoids, custom nutrient blends and nutraceuticals to feed, food and beverage and dietary supplements servicing the food, pharmaceutical and personal care industries. DSM Nutritional Products has global research and development capabilities and an international network of technical service, production and distribution facilities and has a major sales and marketing presence in more than 100 countries. Headquartered in the Netherlands, DSM Nutritional Products employs approximately 22,000 people across five continents.

Occupancy and Leasing

The current portfolio occupancy rate of the Initial Properties is approximately 95.8%, representing approximately 506,848 square feet (47,088 square metres) out of a total GLA of 529, 267 square feet (49,170 square metres). The weighted average remaining lease term is approximately 8.9 years (not including tenant early termination rights). Inovalis management has been successful in maintaining an average historical portfolio occupancy rate for the Initial Properties of above 90%.

Average Historical Portfolio Occupancy Rate



(1) Weighted average according to gross leasable area.

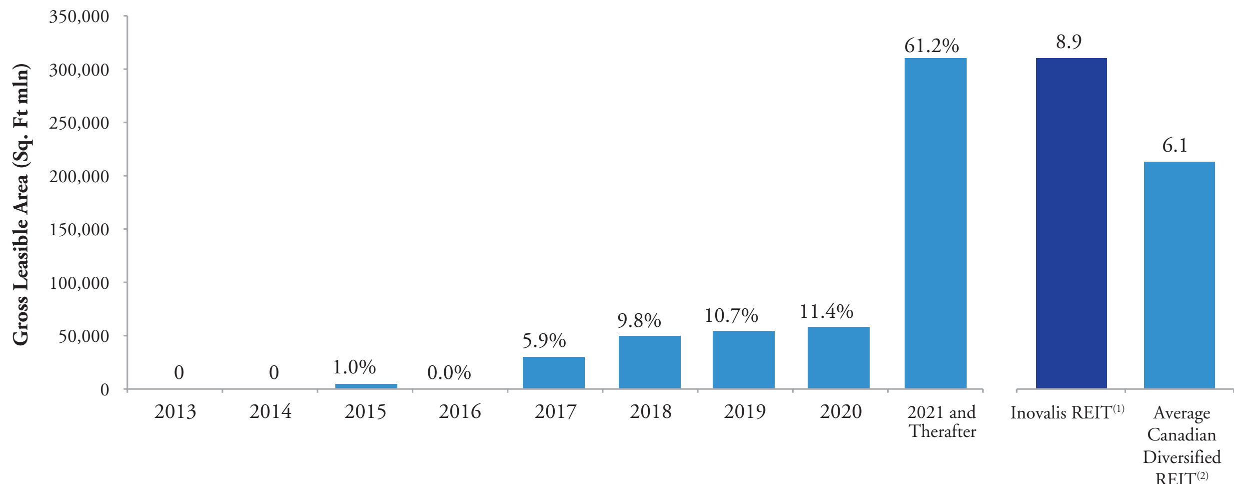
Note: Occupancy levels shown do not include the impact of the Vendor Leases (as herein after defined).

Staggered Lease Maturity Profile

Our stable tenant base is complemented by a well balanced lease maturity profile, with an average of 6.5% of GLA maturing each year between 2013 and 2020, as illustrated by the chart below. The Initial Properties are far more attractive in terms of portfolio occupancy (approximately 96% not including the impact of the Vendor Leases) and average remaining lease term (approximately 8.9 years not including tenant early termination rights) than the portfolios of comparable Canadian diversified real estate investment trusts[1].

The graph below sets out the amount of GLA and percentage of total GLA of the Initial Properties subject to leases expiring during the periods shown (excluding lease terminations).

Lease Maturity Profile



Source: Company Reports as at Q3 2012

(1) Not including tenant early termination rights.

(2) Figures calculated using arithmetic average of comparable Canadian diversified real estate investment trusts's remaining lease terms including Brookfield Office Properties, H&R Real Estate Investment Trust, Dundee Real Estate Investment Trust, Cominar Real Estate Investment Trust, Canadian Real Estate Investment Trust, Allied Properties Real Estate Investment Trust, and Artis Real Estate Investment Trust.

Profile of Payments under Leaseholds

The following table sets out, as at September 30, 2012, the principal payments, maturity and weighted average interest rate of the lease payments required under the Leaseholds to be paid over the periods indicated (dollar amounts in thousands).

These payments represent the amounts payable by the French SPVs and the German SPV, as owner of the French Leaseholds and the German Leasehold, respectively, and have similar features to mortgage payments that would be required if the Initial Properties were owned by the REIT and financed with mortgage debt.

Year Ending December 31	Leasehold Payments (000s €)	Leaseholds Maturing During Year (000s €)	Total	Percentage of Total Leasehold Payments	Weighted Average Interest Rate of Leasehold Payments
2013	€4,743	—	€ 4,743[1]	5.6%	1.88%
2014	€5,378	—	€ 5,378	6.4%	1.87%
2015	€5,540	€10,292	€15,832	18.8%	1.87%
2016	€4,733	€30,434	€35,168	41.7%	1.87%
2017	€1,704	—	€ 1,704	2.0%	1.87%
Thereafter	—	—	€21,420	25.4%	1.87%

Weighted average interest rate	1.88%
Weighted average term to maturity	5.48 years[2]

Note: The REIT intends to revisit its existing head lease structure with a view to exercising its option to acquire the French Properties using mortgage financing within the first year following Closing. See "The REIT – Financing Strategy."

(1) Not including the impact of the Hanover Owner's reimbursement of approximately €2.8 million ($3.6 million).

(2) Weighted average term to maturity calculated as at September 30, 2012.

Interest Rate Hedging

In order to minimize the impact that an increase in long-term interest rates might have on the interest rates applicable to payments under the Leaseholds, we intend to implement on or about the time of Closing an interest rate hedging program. We are currently in discussions with financial institutions regarding hedging alternatives and expect that the cost of the hedging program will not exceed the 4% per annum cost that has been reflected in the financial forecast. There can be no assurances, however, that the interest rate hedging program will be available to us at such cost or at all or that the hedging arrangements will be effective. See "Financial Forecast".

Certain Legal Matters Relating to Property in France

The French Properties are currently owned as follows: (i) the Dubonnet Property is owned by Genefim and Cicobail, (ii) the Jeûneurs Property is owned by Credit Agricole Leasing & Factoring and BNP Paribas Leasing Solutions; and (iii) the Vanves Property is owned by Genefim and Assurbail. Each owner has agreed to the sale of the respective property to the REIT. The French Inovalis Vehicles currently own their interests in the French Properties through the French Leaseholds. On Closing, each of the French Leaseholds will be assigned to three indirect subsidiaries of the REIT as described in greater detail under "Acquisition of the Interests in the Initial Properties".

The French Leaseholds were established pursuant to an acquisition structure commonly used in France as an alternative to a conventional purchase and sale transaction in which the property is financed with mortgage debt. The French Inovalis Vehicles used a sale-leaseback transaction to partially finance a portion of the acquisition price for each of the French Properties. The French Leaseholds require the applicable French Inovalis Vehicles to make quarterly payments to the lessor. These payments are financing lease obligations, which are economically akin to mortgage payments, and are set out under the section entitled "The Initial Properties – Profile of Payments under Leaseholds." At all times during the term of the lease, the lessee has an option to purchase the French Properties. The aggregate purchase price to acquire the French Properties as of September 30, 2012 under the French Leaseholds was €71,566,814 ($90,503,393) using an exchange rate of €1.00 equals $1.2646, which amount is equal to the outstanding principal lease payments with respect to the French Properties at that date plus, if the option is exercised within a specified period following commencement of the applicable lease, certain breakage costs. The acquisition of the French Leaseholds together with the option to acquire the French Properties is intended to allow the REIT to be in a position to become the owner of the French Properties.

Management of the REIT currently intends to cause the French SPVs to exercise their rights to acquire the French Properties within the first year following closing and, in any event on, or prior to, the maturity of the leasehold interests. If we acquire the French Properties, we will incur certain fees and transaction costs. Management does not believe that such fees and transaction costs will be significant, nor will they impact distributions on Units. See "Risk Factors – Financing risks, leverage and restrictive covenants may limit our ability for growth".

Certain Legal Matters Relating to Property in Germany

The Hanover Property is owned by the Hanover Owner. The Hanover Owner and the German Inovalis Vehicle entered into a binder agreement which grants an option to the German Inovalis Vehicle to acquire the Hanover Property, effective as of the expiry of the headlease. This option right can only be transferred with the consent of the Hanover Owner. The Hanover Property is subject to a head lease, with the Hanover Owner as lessor and the German Inovalis Vehicle as lessee. On Closing, the German Inovalis Vehicle's interest in the head lease (representing the Hanover Leasehold) will be acquired by the German SPV. The head lease's fixed term expires on June 30, 2023. The German SPV will have the right to purchase the Hanover Property from the Hanover Owner in consideration for the tentative contractual residual value which right to purchase will, notwithstanding when it is exercised, only be effective upon expiry of the head lease. For illustrative purposes, if the head lease expired and the option was exercised with effect as at September 30, 2012, the contractual residual value would have been as at September 30, 2012 €16,554,405 ($20,934,701) (using an exchange rate of €1.00 equals $1.2646), which amount is equal to the outstanding principal lease payments with respect to the Hanover Property at that date plus, if the option is exercised within a specified period following commencement of the applicable lease, certain breakage costs. However, the purchase price may be subject to change. First, the purchase price shall not be less than the taxlaw residual book value of the Hanover Property with its edifices and fixtures. Second, the purchase price shall be increased by, among other things, all expenses which the Hanover Owner has borne, for German tax purposes, as a result of the takeover risk of complete or partial accidental destruction of the Hanover Property, or by all payment arrears by the German Inovalis Vehicle as of June 30, 2023, unless the Hanover Owner is responsible for these expenses or these arrears. The acquisition of the Hanover Leasehold together with the option to acquire the Hanover Property is intended to allow the REIT to be in a position to become the owner of the Hanover Property. See "Acquisition of Interest in the Initial Properties – Hanover Property".

Description of Leasehold Structure

In general, ownership of the Initial Properties through a leasehold structure, together with the option to purchase the freehold interest, will place the REIT in a similar position as if it had acquired the freehold interest in the Initial Properties using mortgage financing. In particular, payments made under the leasehold interest are, from an economic point of view, comparable to mortgage payments, as the payments represent blended payments of principal and interest, with the initial principal amount outstanding representing the value of the financing on the acquisition of the property. In addition, the REIT will be able to transfer the leasehold interest, together with the option to purchase the freehold interest, provided that it obtains the prior consent of the owner, which consent cannot be withheld if certain conditions precedent are satisfied, including that the leasehold payments are not in default, the sale price is equal to or greater than the residual value of the remaining lease (including but not limited to loan breakage costs) and the REIT provides certain information to the owner, including information relating to the buyer. In respect of the Hanover Property, the lessor has the discretion to withhold its consent and also requires the approval of Genefim. In addition, in respect of the Hanover Property, a transfer of the leasehold interest would require (a) the consent of the sublessee or (b) in an agreement between the lessee, new lessee and lessor, the dissolution of the right of usufructus of the lessee and the granting of the right of usufructus to the new lessee. The consent required in connection with the transfer of the leasehold interest (and option to purchase) by the REIT are similar to the consents that would typically be required from a mortgagee had the REIT acquired the properties through mortgage financing. Alternatively, a mortgagee would often require that the entire loan be repaid (which is not an option under a leasehold interest). Finally, the property owner does not have the right to sell or otherwise fundamentally change or mortgage the French Properties while the REIT is current on its leasehold payments. If the REIT is in default of its leasehold obligations (in particular, on its leasehold payments or of its other obligations (including participation rights discussed below), the owner can terminate the leasehold and/or sell the property, which is similar, to a certain extent, to a mortgagee exercising its remedies, or change the lease to, among other things, increase the applicable interest rate. The termination of a leasehold and the subsequent disposal of the property may be easier under a leasehold than under a mortgage since a mortgagee needs to go before a court to enforce its mortgage and obtain the loan reimbursement following a specific adjudication process. With respect to the Hanover Property, the owner can technically sell the property at any time. However, registered title will indicate that there is a priority notice of conveyance in favour of the REIT, which will always rank senior to the new owner, such that the REIT has a claim against the new owner to become the owner of the property.

The owners of the French Properties have participation rights with respect to such Initial Properties pursuant to which the applicable lessee would need to obtain written consent from the respective owner prior to taking certain actions with respect to such Initial Property, including cancelling the lease agreements with the tenants of such properties or amending the lease by changing the sub-lessee or reducing the rental payments. If the owner does not give its prior consent to such actions, it may terminate the applicable head lease and dispose the related property. It should be noted that the rights of a lender under mortgage financing are not significantly different, as the borrower under the mortgage financing may be required (i) to inform the lender in case of a change of the lessee, and (ii) to sign new lease agreements, the condition of which are at least equivalent to those of the former lease agreement. If the borrower does not comply with these requirements, it would be in default of the mortgage and the loan would be repayable.

In the leasehold structure, there is a theoretical risk that the owner of the property (which is not related to the REIT) could become insolvent. However, the French Properties subject to the leaseholds are required by French law to be owned by French financial institutions. As such, the possibility of insolvency of the title holder is remote and, in any event, in the case of insolvency of the owner of the French Properties each of the French SPVs has the right to execute its option to acquire the applicable property. With respect to the Hanover Property, in the event of an insolvency of the owner of the property, an insolvency administrator may be in a position to terminate the head lease and may be able to challenge the priority notice (in favour of the German SPV) registered on title. In addition, Genefim, as senior lender, could enforce its security over the Hanover Property, resulting in a forced sale by public auction, in which case the acquirer would have the right to terminate the lease. While this results in a potential difference between ownership of the freehold interest and leasehold interest in the property, under a conventional mortgage financing a mortgagee would also typically have the right to apply for a sale of the property under public auction. Moreover, the financial position of the owner of the Hanover Property will be directly influenced by whether the German SPV is in the position to satisfy its obligations under the Hanover Leasehold. If it is unable to fulfill these obligations, it would similarly have been unable to fulfill its obligations under any mortgage financing and would default under the applicable mortgage.

Description of the Initial Properties

The following is a description of each of the Initial Properties. The information provided concerning area leased, percentage of GLA and the weighted average expiry date is as at September 30, 2012.

France

The Dubonnet Property

The property, located at the address municipally known as 19-21 avenue Dubonnet, 92400 Courbevoie, France (the "**Dubonnet Property**"), was constructed in 1970 and is comprised of a 96,111 square foot (8,929 square metre) building predominantly consisting of office space, with a small amount of retail space that is leased to a private child care centre. The nine-story building with two underground levels is situated in the region of Ile de France, in Courbevoie, eight kilometres west of central Paris within a business area outside the central business district. It is in close proximity to the central business district of Paris and the major La Defense business area and is well served by a comprehensive road and public transportation network. The property is leased to a total of six tenants, with the main

tenant, Smart & Co., occupying 51% of the total space in accordance with a seven year lease. HSBC France has guaranteed Smart & Co.'s lease up to approximately €1.6 million. Inovalis has managed the property since December 22, 2006.

The property is currently 93% occupied (not including the impact of the Vendor Leases) and has a weighted average base rental of $25 per square foot (€211 per square metre) with a weighted average remaining lease term of 5.7 years as of September 30, 2012. Over the past three years, Inovalis has overseen expenditures of approximately €2.3 million ($3.0 million) on a variety of capital improvements to the property including technical audit and engineering fees, renovation of the building's exterior facade, interior floors and emergency staircase and various tenant improvements.

Tenants	Industry	Area Leased (square feet)	% GLA	Current Lease Start Date	Lease Expiry Date
Smart & Co.	Leisure Gifts	48,981	51.0%	10/01/2010	9/30/2019
Westcon Group European Operations Limited	Telecommunications	23,659	24.7%	06/15/2008	6/14/2017(1)
DSM France	Nutritional Products and Pharmaceuticals	6,405	6.7%	12/01/2008	11/30/2017(2)
Moteurs Leroy-Somer	Mechanical Engineering	5,159	5.4%	05/01/2011	04/30/2020(3)
Evancia	Child Care	4,822	5.0%	11/01/2005	10/30/2015
Fresh & Co.	Fast Food	215	0.2%	04/16/2012	04/15/2021(4)

(1) Westcon Group European Operations Limited has the right to terminate its lease on June 14, 2014 without payment of a penalty.
(2) DSM France has the right to terminate its lease on November 30, 2014 without payment of a penalty.
(3) Moteurs Leroy-Somer has the right to terminate its lease on April 30, 2017 without payment of a penalty.
(4) Fresh & Co. has the right to terminate its lease on April 15, 2015 without payment of a penalty.

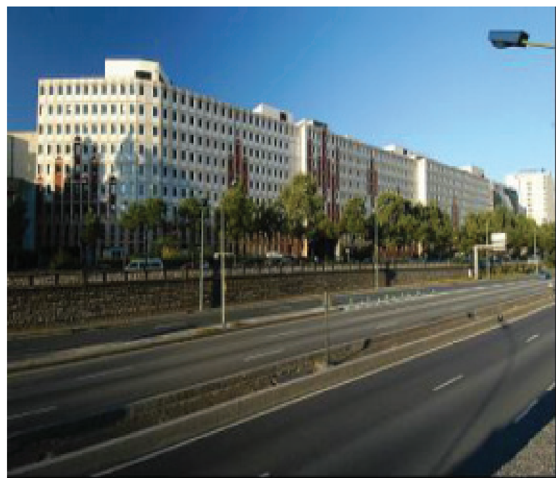
The Jeûneurs Property

The property, located at the address municipally known as 40, rue des Jeûneurs, 75002 Paris (the "**Jeûneurs Property**"), is a seven-story 50,407 square foot (4,683 square metre) office building with accompanying parking that was originally constructed in 1890 but has undergone ongoing renovations since 2006. It is situated in the central business district of Paris and is easily accessible by metro stations and bus lines. The property is currently fully leased to the National Conservatory of Arts and Crafts, a doctoral degree-granting higher education establishment operated and guaranteed by the French government. The 151 parking spaces are leased to various entities and individuals. Inovalis has managed the property since December 22, 2006.

The property is currently 100% occupied and has a base rental of $58 per square foot (€482 square meter) with a remaining lease term of 8.3 years as of September 30, 2012. Over the past three years, Inovalis has overseen expenditures of approximately €62,600 ($81,355) on a variety of capital improvements to the property including surveys and preventative assessment on the building's facade.

Tenant	Industry	Area Leased (square feet)	% GLA	Current Lease Start Date	Lease Expiry Date
National Conservatory of Arts and Crafts	Education and Training	50,407	100%	01/01/2012	12/31/2020

The Vanves Property



The property is a three-building office complex constructed in 1982 and located opposite one of the main entrances to the Paris Exhibition Center. The three buildings are located at the addresses municipally known as 2 rue Auguste Comte, 92170 Vanves France (the "**Berry Building**"), 4 rue Auguste Comte, 92170 Vanves France (the "**Artois Building**") and 6 rue Auguste Comte, 92170 Vanves France (the "**Bearn Building**" and, collectively with the Berry 1 Building and the Berry 2 Building, the "**Vanves Property**"). The Berry Building consists of 82,269 square feet (7,643 square metres), the Artois Building consists of 81,059 square feet (7,531 square metres) and the Bearn Building 95,344 square feet (8,858 square metres) for an aggregate total GLA of 258,675 square feet (24,031 square metres) for the entire Vanves Property. Inovalis has managed the property since December 2, 2004.

The Vanves Property is located in a suburb of Paris known as Vanves and benefits from high visibility as it is served by a comprehensive road and public transportation network. Vanves is one of the most densely populated municipalities in Europe and the tenth largest (by population) in France. The Vanves Property has a total of 456 parking spaces. The property's main tenant, France Telecom, has been a tenant of the property since 1999 and just recently renewed its lease on October 1, 2012. France Telecom occupies approximately 70% of the total space of the property and is partially owned by the French government.

The Vanves Property is currently 94% occupied (not including the impact of the Vendor Leases) and has a weighted average base rental of $30 per square foot (€249 per square metre) with a weighted average remaining lease term of 7.8 years as of September 30, 2012. Over the past three years, Inovalis has overseen capital expenditures of approximately €809,000 ($1,051,376) on a variety of capital improvements to the property including tenancy improvement works, elevator maintenance and air conditioning unit renovation.

Tenants	Industry	Area Leased (square feet)	% GLA	Current Lease Start Date	Lease Expiry Date
France Telecom	Telecommunications	186,070	71.9%	10/01/2012	09/30/2021[(1)]
French Environment and Energy Management Agency	Public Sector (Environmental and Energy)	49,460	20.1%	07/01/2009	06/30/2018[(2)]
Societe De Coordination & D'-Ordonnancement	Construction	5,167	2.1%	07/01/2010	06/30/2019[(3)]
NTN-SNR Roulements	Mechanical Engineering	2,433	1.0%	05/11/2011	05/10/2020[(4)]

(1) France Telecom has the right to terminate its lease on September 30, 2019 upon payment of a penalty equal to three months' rent.
(2) French Environment and Energy Management Agency has the right to terminate its lease on June 30, 2015 without payment of a penalty.
(3) Societe De Coordination & D'-Ordonnancement has the right to terminate its lease on June 30, 2016 without payment of a penalty.
(4) NTN-SNR has the right to terminate its lease on May 10, 2017 without payment of a penalty.

Germany

The Hanover Property

The Hanover Property is located at the address municipally known as Hans-Boeckler-Allee 11, 30173, Hanover, Germany and is a seven storey building constructed in 2000. The building is comprised of 124,076 square feet (11,527 square metres) of leaseable office space consisting of a basement, a ground floor and six upper floors. The property is of typical reinforced construction with a clinker-brick/glass-steel facade and a flat roof. It has 3 main entrances and 169 outdoor parking spaces to the rear of the building. It is located in the industrial part of Hanover, near a major road leading into the city centre which is approximately three kilometres away. The property is also within close proximity to public transport such as buses and trains. Inovalis has managed the property since December 21, 2007.

The property is currently 100% occupied and has an annual base rental of $14 per square foot (€117 per square metre) with a remaining lease term of 12.3 years as of September 30, 2012.

Tenant	Industry	Area Leased (square feet)	% GLA	Current Lease Start Date	Lease Expiry Date[(1)]
Facility Services Hannover GmbH	Banking / Real Estate	124,076	100%	01/01/2011	12/31/2024

(1) Facility Services Hannover GmbH has the right to terminate its lease on December 31, 2019.

Vendor Leases

Certain of the premises in the Initial Properties are currently vacant. On Closing, the vendors of the leasehold interests in such Initial Properties will enter into a sub-lease (the "**Vendor Leases**") with the applicable subsidiary of the REIT pursuant to which the vendors, as tenants, will be obligated to pay the REIT market rent for such premises. The Vendor Leases will have a term for each of the Initial Properties as set out in the table below, during which term the vendors will be responsible for the lease payments set forth in the table below.

			Annual Minimum Rent		Term	
Property	GLA (sq. ft)	% Total GLA	€	$	From	To
Dubonnet Property	6,876	1.3%	€248,726	$323,244	Closing	One year from Closing
Vanves Property	15,543	2.9%	€505,428	$656,854	Closing	Three years from Closing
Total	**22,419**	**4.2%**	**€754,154**	**$980,098**		

The vendors may further sublease each of the premises subject to the Vendor Lease in whole or in part on terms that are acceptable to the REIT and will be responsible for the cost of tenant improvements, tenant inducements and/or leasing commissions for new tenants.

The Vendor Leases will include customary provisions such as events of default for non-payment of rent and other obligations and notice clauses.

ASSESSMENT OF INITIAL PROPERTIES

Property Appraisals

Inovalis retained Jones Lang LaSalle (the "**French Appraiser**") and REAG GmbH Real Estate Advisory Group Germany (the "**German Appraiser**" and, together with the French Appraiser, the "**Appraisers**") to provide independent estimates of the market value of each of the French Properties (the "**French Appraisals**") and the Hanover Property (the "**German Appraisal**"). The Appraisers were not given any limiting instructions.

French Appraisal

The French Appraisals were prepared in conformity with the requirements of the Royal Institution of Chartered Surveyors Standards, the Charte de l'expertise immobilière,, and the European Valuation Standards of TEGoVA (the European Group of Valuers' Associations). The French Appraisals are also consistent with the recommendations provided in the Barthés de Ruyter report resulting from the working group on property valuation for publically quoted companies drawn up in February 2000 by the Commission des opérations de bourse, now the Autorité des marchés financiers (the French securities regulatory authority). The French Appraisals define "market value" as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion." The date of the appraisal of the Dubonnet Property and the Vanves Property was December 15, 2012. The date of the appraisal of the Jeûneurs Property was December 31, 2012.

In the French Appraisals, the French Appraiser estimated the aggregate value of the French Properties, as at December 15, 2012 for the Dubonnet Property and the Vanves Property and as at December 31, 2012 for the Jeûneurs Property, to be €144,280,000 ($187,506,288).

The estimated value of the French Properties was determined by the French Appraiser using the Term and Reversion Capitalization Method of valuation as well as the Direct Comparison Method. These valuation methods are traditionally used by investors when acquiring properties similar to the Initial Properties located in France. The French Appraiser inspected each of the French Properties. In preparing the French Appraisals and determining market value, the French Appraiser gave consideration to market rental rates, the general real estate market in the local area, property taxes and performed cash flow modelling. In accordance with general market practice in France, the French Appraiser did not make any deductions for purchaser's or vendor's legal or agent's fees nor did the French Appraiser take account of capital gains or other taxes that either party might have paid as a result of such transaction. The French Appraisals take into account the value of the Vendor Leases and the fact that the Vendors will be responsible for a portion of the French Properties capital expenditures.

In determining the approximate market value of the French Properties, the French Appraiser relied on tenancy and capital expenditure schedules provided by Inovalis, leases relating to the French Properties and certain plans from a surveyor-expert. For each property, the French Appraiser discussed with Inovalis the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed management revenue and expense estimates for their reasonableness. Based on its review, and other relevant facts, the French Appraiser considered such data to be reasonable and supportable.

German Appraisal

The German Appraisal was a re-valuation of the Hanover Property on a desktop basis for internal purposes. The Hanover Property was initially valued by the German Appraiser in November 2008. The Hanover Property was inspected by REAG for technical and environmental due diligence on May 2, 2012 and re-valuated based on a drive by valuation that was conducted on the Hanover Property in December 2010. The date of valuation of the German Appraisal was October 1, 2012 and the date of the final report was October 17, 2012.

The German Appraisal was prepared in conformity with the requirements of the RICS Valuation – Professional Standards incorporating the International Valuation Standards March 2012, as published by the Royal Institution of Chartered Surveyors. The German Appraisal defines "market value" as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without

compulsion." In the German Appraisal, the German Appraiser estimated that the market value of the Hanover Property as at October 1, 2012 to be €20,700,000 ($26,901,720).

The German Appraiser used the Discounted Cash Flow Method to determine the estimated market value of the Hanover Property, which is a traditional method used by investors when acquiring properties of this nature. In order to estimate an appropriate market rent/sale price for the Hanover Property, the German Appraiser analysed rents for comparable properties currently offered in the Hanover market. The preparation of the German Appraisal included (i) a site visit of the property in connection with an initial valuation in November 2008; (ii) market and local analysis review; and (iii) cash flow modeling. In appraising the Hanover Property, the German Appraiser assumed that the owner's claim to the Hanover Property was valid, that its property rights were good and marketable and that the property complied with all applicable zoning and use regulations. The German Appraisal also excluded the impact of environmental contamination on the property's value. However, according to the Hanover Due Diligence Report (as defined below), the environmental risk associated with the Hanover Property, under its current use, was determined to be low. See "Assessment of Initial Properties – Environmental Audit – Hanover Property".

In determining the approximate market value of the Hanover Property, the German Appraiser relied on operating and financial data provided by or on behalf of Inovalis, including rent rolls and plan surveys. Based on its review, and other relevant facts, the German Appraiser considered such data to be reasonable and supportable.

Conclusion

Based on the Appraisals, the aggregate market value of the Initial Properties, as a portfolio, is €164,980,000 ($214,408,008). The aggregate market value reflects a blended overall capitalization rate (established in accordance with the Capitalisation Method) for the Initial Properties of 7.5%. The aggregate purchase price of the French Leaseholds and the Hanover Leasehold plus the aggregate option exercise prices to acquire the Initial Properties is less than the total aggregate market value of the Initial Properties provided for in the Appraisals.

Caution should be exercised in the evaluation and use of the Appraisals. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraisers' internal forecasts of net operating income for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Environmental Audit

French Properties

Each of the French Properties was the subject of a Phase I environmental site assessment report ("**Phase I ESA**") between April 2012 and May 2012 by a France-based independent environmental consultant. The purpose of the Phase I ESA was to assess whether there is evidence of potential or actual environmental contamination at any of the French Properties. The Phase I ESAs were prepared in accordance with the independent valuator's procedures specific to this type of evaluation. In particular, the Phase I ESAs analyzed the environmental aspects of air pollution control, water supply and water pollution control, hazardous waste management, solid waste management, noise control (internal and external), underground storage, product storage and handling and polychlorinated biphenyls (PCB) management. Intrusive sampling and analysis was not part of the Phase I ESAs.

None of the Phase I ESAs requested that a Phase II environmental site assessment report ("**Phase II ESA**") be conducted. Phase II ESAs involve intrusive soil and/or groundwater sampling and analysis. However, the independent environmental consultant noted that there was a potential risk of soil contamination due to previous use of the Dubonnet Property by a former occupant, and recommended that an investigation of certain portions of the soil on the Dubonnet Property be conducted. As a result, Inovalis engaged the independent environmental consultant to conduct a Phase II ESA on the Dubonnet Property. The environmental consultant conducted a chemical analysis of the soil at the

Dubonnet Property and found no evidence of pollution that will affect the operation of the property. However the environmental consultant recommended that a small portion of the soil be removed and replaced with concrete, which will be completed prior to Closing.

Hanover Property

The Hanover Property was the subject of a broad due diligence report dated May 3, 2012 (the "**Hanover Due Diligence Report**") by an independent real estate consultant which included a Phase I ESA of the property. The purpose of the Hanover Due Diligence Report was to conduct an assessment and to acquire an overview of the quality of the property from a technical, infrastructural, architectural, and environmental point of view and identify potential or known technical risks, environmental liabilities and associated cost implications for the subject site that may be material to the acquisition of the property. The report was compiled based on a visual inspection of the condition and the quality of the installations relating to normal good standards in the building services industry and as they relate to the local market. In drafting the Hanover Due Diligence Report, the independent consultant relied on certain documents and data provided by or on behalf of Inovalis and a site visit which consisted of a guided "walk-through" survey of the property's easily accessible and readily observable areas to note significant deferred maintenance and the general condition of major building components and systems. The documents made available were checked for plausibility and a visual and non-destructive inspection of the building was undertaken. Only defects and risks which were recognizable at the time of the site visit without visual and other aids were assessed. The focus of the Hanover Due Diligence Report was on the subject site as well as common and technical areas of the building. Tenant areas as well as tenant fit outs and final tenant acceptances were inspected and assessed randomly.

The Phase I ESA analyzed air emissions, noise emissions, ozone depleting substances, water supply and wastewater, waste disposal, hazardous materials and building components (such as asbestos and polychlorinated biphenyls), soil and groundwater and an energy performance certificate of the Hanover Property. No soil or building material sampling, analysis or geological studies were performed by the independent consultant, nor was any water, oil, gas, or other subsurface mineral and use rights or conditions investigated. No chemical or physical analyses was performed and there was no sampling of materials or sub-soil.

Based on the Phase I ESA of the Hanover Property, the independent consultant concluded that environmental risk associated with the property, under its current use, was low and that no further action was necessary. No hazardous substances or building materials were identified although potential soil contamination mainly caused by artificial filings may be present at the property. In the case of a redevelopment of the property which involves soil excavation, additional soil disposal costs may be incurred.

Conclusion

Inovalis is of the view that current estimated cost of expenditures with respect to actual or potential environmental conditions will not have a material adverse effect on our operations or financial results. Inovalis is not aware of any material non-compliance with environmental laws at any of the Initial Properties that it believes would have a material adverse effect on the REIT. Inovalis is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially affect the REIT. It is expected that the REIT will implement policies and procedures to assess, manage, and monitor environmental conditions at the Initial Properties and to manage exposure to liability. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the Initial Properties or any future property held by the REIT. See "Risk Factors – Environmental contamination on properties may expose us to liability and adversely affect our financial performance" and "Risk Factors – Limitations of appraisals and engineering and environmental reports".

It is the REIT's operating policy to obtain a Phase I ESA conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA recommends that further investigations be conducted, the REIT will conduct such further investigations, in each case by an independent and experienced environmental consultant.

Property Condition Assessments

French Properties

In April 2012, a property condition assessment report (the "**PCA Reports**") was prepared in connection with each of the French Properties. An independent France-based consultant was selected to undertake a visual inspection of each of these properties in connection with their acquisition by the REIT. The purpose of the PCA Reports was to advise on any aspects of the applicable property's design, construction and condition that the independent consultant believed would have a material bearing on the proposed acquisition.

Each of the PCA Reports catalogued ongoing repairs, maintenance and replacement of capital items in respect of the French Properties. The PCA Reports also identified and quantified principal items of disrepair, damage and non-compliance which would likely necessitate capital expenditures both in the short and medium term (i.e. one to five years) and over the long term (i.e. six to ten years) from the date of the PCA Report. Based on the property condition assessment reports and Inovalis' own inspections, the Initial Properties appear to be well maintained in accordance with their use.

The PCA Reports identified approximately (i) €40,000 ($51,984) in estimated possible maintenance and capital expenditure costs in the first year, (ii) €1,762,000 ($2,289,895) in estimated possible maintenance and capital expenditure costs in years two to five, and (iii) €2,082,000 ($2,705,767) in estimated possible maintenance and capital expenditure costs in years six to ten.

Hanover Property

As part of the Hanover Due Diligence report, the independent real estate consultant conducted a property condition assessment of the Hanover Property. The property condition assessment focused on the general condition of the building, exterior building systems such as exterior walls, windows, insulation, sealants, doors and frames, the roof and roofing system components, skylights and drainage, interior improvements including building common area finishes, fixtures and typical tenant finishes, mechanical and electrical systems, fire safety and health and safety, maintenance of building systems, site improvements including access, paving, grading and drainage, landscaping, lighting, parking and other site appurtenances as well as a review of documents provided by Inovalis to assess the buildings condition. Notwithstanding the foregoing, the independent consultant did not comment on the structural integrity of the property including its conformity to governmental building code requirements or any physical defects that were not readily apparently to the assessors during their inspection of the property.

According to the Hanover Due Diligence Report, the building and its technical equipment were in good working condition given their age although the consultant recommended that some refurbishments and repairs of defects be performed soon. The property has been equipped with all necessary systems including appropriate technical equipment required for heating, maintaining the water supply, disposing of waste water and supplying of electrical power.

The Hanover Due Diligence Report identified approximately (i) €92,000 ($119,563) in immediate and first year compulsory capital expenditure costs and an additional €25,000 ($32,490) in recommended capital expenditure costs. Estimated compulsory and recommended capital expenditure costs over years two to five years were relatively minimal, at €6,000 ($7,778) and €36,000 ($46,786), respectively. Compulsory capital expenditure costs over years six to ten were estimated at €100,000 ($129,960).

Conclusion

The REIT does not expect to incur significant capital repair spending or leasing costs for the Initial Properties over the next three years, as the majority of the applicable leases are long term leases and Inovalis recently refurbished many of our properties. In addition, any ongoing maintenance expenses are charged back to the tenants of the Initial Properties pursuant to their lease terms. As part of our annual property review program, we will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Initial Properties remain competitive. We intend to manage capital expenditures prudently and maintain the physical improvements of the Initial Properties in good condition. We will also expend capital on upgrades where appropriate, especially if we believe such spending will accelerate lease-up of vacant space and assist in the retention of expiring tenants.

ACQUISITION OF THE INTEREST IN THE INITIAL PROPERTIES

French Properties

As described under "The Initial Properties – Certain Legal Matters Related to Property in France", the French Properties are currently owned as follows: (i) the Dubonnet Property is owned by Genefim and Cicobail, (ii) the Jeûneurs Property is owned by Credit Agricole Leasing & Factoring and BNP Paribas Leasing Solutions; and (iii) the Vanves Property is owned by Genefim and Assurbail. Each owner has agreed to the sale of the respective property to the REIT. The French Properties are subject to the French Leaseholds in favour of the French Inovalis Vehicles. On Closing, the French Leaseholds will be assigned by the French Inovalis Vehicles to the French SPVs pursuant to three separate assignment of property lease agreements (the "**Assignment Agreements**"). The aggregate cash proceeds being paid to the French Inovalis Vehicles in connection with the Assignment Agreements is €66,276,000 ($86,132,290) as of September 30, 2012.

The Assignment Agreements will contain certain declarations by the French Inovalis Vehicles in favour of the French SPVs (certain of which are qualified as to knowledge), which are typical for an assignment agreement of this kind in France, relating to the underlying property lease, disputes (other than rental disputes), certain claims, status of lease payments, notices to and from subtenants, certain matters relating to the building, certain environmental matters, no insolvency, authorizations and no contravention. Such declarations will survive indefinitely following Closing (subject to French statutory limitations). The Assignment Agreements do not contain a representation in respect of this prospectus. No indemnity is being provided in connection with the Assignment Agreements and any claim by the REIT's subsidiaries in respect of a breach of the terms of the agreements, including a false declaration, will need to be based on a breach of contract.

There can be no assurance of recovery by the REIT or its subsidiaries for any breach of the declarations provided under the Assignment Agreements, as there can be no assurance that the assets of the French Inovalis Vehicles will be sufficient to satisfy such obligations. Only the REIT or its subsidiaries will be entitled to bring a claim or action for a breach of contract under the Assignment Agreements and purchasers of Units under this prospectus will not have any contractual rights or remedies under the Assignment Agreement. Purchasers will, however, have certain statutory rights against the REIT and Inovalis, as promoter, under applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission".

The Assignment Agreements are material contracts of the REIT and will be available, following Closing, at www.sedar.com. A purchaser of Units should refer to the terms of the Assignment Agreement for a complete description of the declarations, and the other provisions of the Assignment Agreement.

Hanover Property

As described under "The Initial Properties – Certain Legal Matters Relating to Property in Germany", the Hanover Property is currently owned by the Hanover Owner and is subject to the Hanover Leasehold in favour of the German Inovalis Vehicle. The Hanover Owner has agreed to the sale of the Hanover Property to the REIT. Pursuant to an agreement to be entered into on or prior to Closing (the "**German Purchase Agreement**"), the German SPV will acquire from the German Inovalis Vehicle all of its rights and interest in, and assume all of its liabilities and obligations under, the Hanover Leasehold as of the Effective Date (as defined below).

The aggregate cash proceeds being paid to the German Inovalis Vehicle in connection with the German Purchase Agreement and the related purchase option described under "The Initial Properties – Certain Legal Matters Relating to Property in Germany" is €3,890,000 ($5,055,444). The German Purchase Agreement contains warranties in favour of the German SPV (certain of which are qualified as to knowledge), including with respect to registered ownership of the Hanover Property, encumbrances, administrative decrees, fulfillment of public orders, public approvals regarding construction and use, revocation of public approvals, proximity to certain established zones, modification freeze, modifications to land-use plan, neighbourhood agreements, landmark status, build over by third parties, parking spaces, use of third party parcels, unrecorded easements, contamination and remediation plans, third-party copyrights or other proprietary rights and certain matters relating to the Hanover Leasehold and the sub-lease. The German Purchase Agreement does not contain a warranty in respect of this prospectus.

The maximum liability of the Vendor under the German Purchase Agreement, including in respect of a breach of warranty, is limited to €8,190,000 ($10,643,724). No claim may be made under the German Purchase Agreement, including for a breach of warranty, until such claim exceeds €2,000 ($2,599) and the total of all claims exceed €10,000 ($12,996). No claim may be made under the German Purchase Agreement, including for a breach of warranty,

following the five year anniversary of the date of registration of the notice of conveyance in respect of the Hanover Leasehold (the "**Effective Date**").

There can be no assurance of recovery by the REIT or its subsidiaries for any breach of the warranties provided under the German Purchase Agreement, as there can be no assurance that the assets of the Vendor will be sufficient to satisfy such obligations. Only the REIT or its subsidiaries will be entitled to bring a claim or action for a breach of contract under the German Purchase Agreement and purchasers of Units under this prospectus will not have any contractual rights or remedies under the German Purchase Agreement. Purchasers will, however, have certain statutory rights against the REIT and Inovalis, as promoter, under applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission".

The German Purchase Agreement is a material contract of the REIT and will be available, following Closing, at www.sedar.com. A purchaser of Units should refer to the terms of the German Purchase Agreement for a complete description of the covenants, warranties and related limitations under the German Purchase Agreement.

CURRENCY HEDGING ARRANGEMENTS

Given that substantially all of our investments and operations will be conducted in currencies other than Canadian dollars and that we will pay distributions and interest payments to Unitholders, respectively, in Canadian dollars, we intend to implement hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. On or about the time of Closing, we will enter into currency hedging arrangements with an arm's length counterparty pursuant to which the counterparty will agree to exchange Euros for Canadian dollars on a monthly basis at an agreed exchange rate.

The hedging arrangements will be implemented initially for a term of a minimum of three years. The Trustees will assess our currency hedging strategy from time to time.

FINANCIAL FORECAST

The following financial forecast was prepared by management of Inovalis Real Estate Investment Trust (the "**REIT**"), using assumptions with an effective date of March 27, 2013 and was approved by the Board of Trustees on March 28, 2013. Pursuant to applicable securities policies, we will be required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany our annual or interim Management's Discussion and Analysis for the relevant periods.

The financial forecast has been prepared in accordance with Parts 4A and 4B of National Instrument 51-102 – *Continuous Disclosure Obligations* and has been prepared in accordance with the accounting policies that the REIT expects to use to prepare its historical financial statements for the period covered by the forecast. Those financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS). The forecast has been prepared using assumptions that reflect management's intended courses of action for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing occured on January 1, 2013.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecasts. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See also "Forward-Looking Information".

The financial forecast should be read in conjunction with the unaudited Pro Forma consolidated financial statements of the REIT, the combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 contained in this prospectus. See "Index to Financial Statements".

Independent Auditors' Report on Consolidated Financial Forecast

To the Board of Trustees of Inovalis Real Estate Investment Trust

The accompanying consolidated financial forecast of Inovalis Real Estate Investment Trust consisting of the condensed consolidated statements of forecast net income for each of the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013 and the twelve-month period ending December 31, 2013 has been prepared by management using assumptions with an effective date of March 27, 2013. We have examined the support provided by management for the assumptions, and the preparation and presentation of this consolidated financial forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline set out in the CICA Handbook-Assurance issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- As at the date of this report, the assumptions developed by management are suitably supported and consisted with the plans of Inovalis Real Estate Investment Trust, and provide a reasonable basis for the consolidated financial forecast;
- This consolidated financial forecast reflects such assumptions; and
- The consolidated financial forecast complies with the presentation and disclosure standards for future oriented financial information established in Part 4A and 4B of National Instrument 51-102 – Continuous Disclosure Obligations.

Since this consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

Luxembourg, March 28, 2013

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
Werner Weynand

Consolidated Statements of Forecast Net Income

Consolidated Statements of Forecast Net Income	Three-month periods ending				Twelve-month period ending
In thousands of CAD unless otherwise stated	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Rental income	4,075	4,084	4,098	4,101	16,358
Service charge income	966	967	967	967	3,867
Service charge expense	(966)	(967)	(967)	(967)	(3,867)
Other property operating expense	(100)	(100)	(100)	(100)	(400)
Net rental income	**3,975**	**3,984**	**3,998**	**4,001**	**15,958**
Administration expenses	(807)	(807)	(808)	(808)	(3,230)
Valuation gains (losses) from investment property	—	—	—	—	—
Net gain on bargain purchase	10,110	—	—	—	10,110
Acquisition costs	(3,087)	—	—	—	(3,087)
Operating profit (loss)	**10,191**	**3,177**	**3,190**	**3,193**	**19,751**
Finance costs	(1,057)	(1,057)	(1,056)	(1,039)	(4,209)
Change in fair value of exchangeable securities	(937)	(224)	(232)	(235)	(1,628)
Profit (loss) before taxes	**8,197**	**1,896**	**1,902**	**1,919**	**13,914**
Income tax expense	—	—	—	(56)	(56)
Profit (loss) for the period	**8,197**	**1,896**	**1,902**	**1,863**	**13,858**

See accompanying notes to consolidated statements of forecast net income

Notes to the Consolidated Statements of Forecast Net Income
(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

1. Purpose of the Financial Forecast

This financial forecast has been prepared by management of the REIT for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. Basis of Presentation of Financial Forecast

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust dated February 8, 2013, when one Unit was issued for $10 cash. The REIT was established under the laws of the Province of Ontario. The REIT has been formed to indirectly acquire leasehold interests in the four properties located in France and Germany which are described in 3(c) below.

The financial forecast consists of the consolidated statements of forecast net income for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013 and for the twelve months ending December 31, 2013. The financial forecast has been prepared by management of the REIT using assumptions with an effective date of March 27, 2013, and reflects the assumptions described in note 4.

The financial forecast has been prepared using assumptions that reflect management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed in our annual or interim Management's Discussion and Analysis for such periods. The actual results achieved during the forecast periods will vary from the forecast results, and these variations may be material.

The financial forecast assumes that the exchange rate between the Canadian dollar and the Euro will remain at 1.2996 which was the 10 day average noon rate of exchange posted by The Bank of Canada or conversion of Euros into Canadian dollars as of January 15, 2013.

3. Significant Accounting Policies

The financial forecast has been prepared in accordance with Parts 4A and 4B of National Instrument 51-102—Continuous Disclosure Obligations issued by the Canadian Securities Administrators and has been prepared in accordance with the accounting policies that the REIT expects to use to prepare its historical financial statements for the period covered by the forecast.

This financial forecast should be read in conjunction with the annual and interim combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio and the financial statements of Wel 6 for the year ended December 31, 2011, for the nine months period ended September 30, 2012 and the financial statements of the REIT as at February 8, 2013, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and which present all significant accounting policies applied except for those presented below.

(a) Basis of consolidation

The financial forecasts comprise the financial statements of the REIT and its subsidiaries as presented elsewhere in this prospectus (Refer to note "Simplified Organizational Structure"). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Exchangeable securities represent the financial interest not held by the REIT in controlled and consolidated subsidiaries when these interests are exchangeable into units of the REIT at the discretion of the holder. This liability is measured at fair value with changes in fair value recorded in profit/(loss).

(b) Foreign currency translation

The combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio and the financial statements of Wel 6 are presented in Euros, which is also their functional currency.

The presentation currency for the financial statements of the REIT is Canadian dollars (CAD$), which is also its functional currency.

(c) Business Combinations

The REIT acquires real estate rights on finance lease contracts on French and German commercial real estate and the related tenants' portfolio. At the time of acquisition, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination when inputs (the land and fully leased buildings) and outputs (here actual rental income) are acquired. More specifically, because the revenue producing activities associated with the acquired set of activities and assets remain substantially the same before and after the acquisition, processes are embedded in the acquisition and, therefore, the acquired set constitutes a business pursuant to IFRS 3 – *Business Combinations*.

When the acquisition of a subsidiary does not represent the acquisition of a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The acquisition of the Initial Properties (described below) has been accounted for as a business combination.

The purchase accounting of the acquired business identifiable assets and liabilities has been made based upon preliminary estimates of their respective fair values as of January 1, 2013, and consistent with:

- the bilateral promise of sale dated May 2, 2012 between Paris Real Estate Investment 2 (PREI 2) and Paris Real Estate Investment 4 (PREI 4) and CanCorpEurope S.a.r.l. (referred to as "Luxco"), a subsidiary of the REIT, as amended on June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013,
- the bilateral promise of sale dated May 2, 2012 between Hawaz and Luxco, as amended on June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013, and February 20, 2013
- the Letter of Intent dated February 5, 2013 between Euro Elysées 2 and CanCorpGermany (referred to as the "German SPV") a subsidiary of Luxco,

that provide contingent on the closing of the Offering, for the acquisition of the PREI Portfolio, the Hawaz Portfolio and Wel 6 and related tenants' portfolio respectively.

According to those bilateral promises of sales and Letter of Intent, the cash paid for the acquisition of the real estate rights on finance lease contracts on French and German commercial real estate and the related tenants' portfolios will be calculated as the difference between (i) the assets price (which has been fixed by the bilateral promises of sales and Letter of Intent) less (ii) the carrying value of the finance lease liabilities at the date of the closing.

The determination of the purchase price and its allocation will be finalized at the effective date of the transaction (i.e. the closing of the Offering) and additional valuations and studies will be performed thereafter. Accordingly, the measurements of the purchase price and its allocation have been made solely for the purpose of preparing the Forecast Financial Information. As a consequence, they are preliminary and subject to revision together with the related impacts on the financial forecast based on the final determination of the fair values at that time.

(d) Income taxes

The REIT intends to qualify as a mutual fund trust under the Tax Act. The REIT will not be a SIFT provided that the REIT complies at all times with its investment restrictions that preclude the REIT from investing in any non-portfolio property. The Trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continue to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the financial forecast in respect of the REIT.

The OPCI and the French SPVs that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation and

provided the OPCI and the French SPVs comply with their distribution obligations they are corporate income tax exempt. A 5% withholding tax should be levied in France on dividend distributions made by the OPCI to Luxco.

Luxco and the German SPV are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum corporate income tax in Luxembourg amounting to €3 thousand in 2013 (plus solidarity surcharge) per company under certain conditions whenever the corporation has zero or negative taxable income. Luxco and the German SPV are likely to be subject to this minimum corporate income tax depending on their balance sheet items. Dividends and liquidation dividends derived by Luxco from the French OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. Luxco will benefit from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from the German SPV. The German SPV will enter into leasing and sub-leasing agreement through which it will realize a spread profit. The Luxembourg/Germany double tax treaty should allocate to Germany an unlimited primary right to tax income deriving from such spread on the leasing agreements relating to the property in Germany. Also based on the Luxembourg/Germany double tax treaty, Luxembourg should exempt this income.

Luxco should also realize a financing margin on its back-to-back financing activity, such margin being subject to taxation in Luxembourg at the normal tax rate.

The German SPV is a Luxembourg limited liability company that is managed in Luxembourg and, therefore, should not be considered to be a tax resident of Germany for German tax purposes. However, the German SPV would be subject to tax in Germany on its German source income. Provided the considered treatment of the head lease and sub lease structure is achieved (i.e. the Hanover Owner will be regarded as the beneficial owner of the Hanover Property for German tax purposes), the German SPV would realize income from the sub-leasing of the Hanover property and would have expenses in the form of rental payments under the Vendor Lease entered into with the Hanover Owner, whereas rental prepayment would generally be amortized over the period for which the prepayment was made. As the German SPV's rental revenues would be German source income, such (net) income would be subject to German corporate income tax ("CIT"), even if the German SPV is not a German tax resident. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg because the Hanover property is located in Germany and income from German real estate is taxed in the country where the real estate is located. Currently, CIT applies at a rate of 15.825% (including a solidarity surcharge of 5.5%) on taxable net income. To determine taxable income for CIT purposes, a tax payer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property and certain operating expenses) provided that such costs are incurred on arm's length terms.

4. Significant assumptions

(a) Transaction:

The financial forecast assumes that on January 1, 2013, the REIT raised gross proceeds of CAD$105,000 thousand pursuant to the Offering through the issuance of 10,500,000 Units at CAD$10.00 per Unit.

Concurrent with the issue of Units to the public, Luxco (a subsidiary of the REIT) is assumed to raise gross proceeds of CAD$1,901 thousand pursuant to a capital increase (CAD$65 thousand of share capital and CAD$1,836 thousand of share premium) subscribed by Inovalis that will consequently hold 10.26% of this subsidiary at the date of the Closing on January 1, 2013. Luxco, the subsidiary of the REIT, is also assumed to obtain from Inovalis interest bearing notes (referred to as "Luxco Notes") for gross proceeds of CAD$5,038 thousand at a weighted average annual interest rate of approximately 7.8% and interest free notes (referred to as "NIB Notes") for gross proceeds of CAD$5,061 thousand. Payment of interest on the Luxco Notes and principal repayment of the NIB Notes is subordinated to the payment of cash distributions to the Unitholders.

As a result of the above transactions, Inovalis is assumed to contribute CAD$12,000 thousand to the Luxco, representing the exchangeable securities.

Costs relating to the issuance of Units, including underwriters' fees, are estimated to be CAD$12,250 thousand and are charged directly to Unitholders' Equity.

For purposes of this financial forecast, it is assumed that the Closing of the transactions contemplated by this prospectus occurred on January 1, 2013. On Closing, it is assumed that the REIT indirectly acquires real estate rights on finance lease contracts on French and German commercial real estate and related tenants' portfolios for aggregate consideration of CAD$92,588 thousand (€71,243 thousand) pursuant to the bilateral promises of sale and the Letter of

Intent referred to under 3(c) above and using the exchange rate of CAD$1.2996 for every Euro. The Acquisition will be accounted for as a business combination.

Exchange Agreement

On Closing, the REIT, Luxco, and Inovalis will enter into an exchange agreement (the "Exchange Agreement"). The Exchange Agreement will grant to Inovalis the right to require the REIT to exchange the Exchangeable Securities for Units (the "Exchange Right"), subject to customary anti-dilution adjustments and the adjustments described under "Declaration of Trust and Description of REIT Units". The exchange procedure may be initiated at any time by a holder of the Exchangeable Securities so long as all of the following conditions have been met: (a) the exchange would not cause the REIT to cease to be a "mutual fund trust" for purposes of the Tax Act or create a substantial risk of such cessation; (b) the REIT is legally entitled to issue the Units in connection with the exercise of the Exchange Rights; and (c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws. Pursuant to the terms of the Exchange Agreement, Inovalis will be granted demand and "piggy-back" registration rights by the REIT that will enable it to require the REIT to file a prospectus and otherwise assist with a public offering of Units at any time that Inovalis owns at least 10% of the outstanding Units on a fully-exchanged basis, subject to certain limitations.

Annual Asset Management Fee:

Subsequent to the Acquisition, in performing its obligations under the Management Agreement (as described elsewhere in this prospectus), Inovalis will be entitled to receive fees from the relevant subsidiary of the REIT. Among those fees, the Annual Asset Management Fee will be payable quarterly in arrears, entirely in Exchangeable Securities, subject to any required regulatory approvals. 50% of the Exchangeable Securities paid as part of the Annual Asset Management Fee will be subject to an escrow agreement (the "Annual Asset Management Fee Escrow") pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.

As described in section 4 f) below, Inovalis is entitled to receive an annual remuneration of CAD$1,653 thousand for the year ending December 31, 2013 in respect of the Annual Asset Management Fee.

Lease Equalization Agreements:

Inovalis will, on closing, enter into lease equalization agreements with one or more subsidiaries of the REIT which is being financed pursuant to a loan agreement (the "Lease Equalization Agreements"). This will have the effect of equalizing the rent payments over the term of two leases as described below providing the REIT with stable and predictable monthly revenue. The rental payments owing by (i) France Telecom, in respect of the 186,070 square foot office space premises at the Vanves Property, and (ii) Smart & Co., in respect of the 48,981 square foot office space premises at the Dubonnet Property are not equal over the term of the respective lease. In particular, the lease payments owing by each of France Telecom and Smart & Co. will be lower immediately following closing than the lease payments required to be made towards the end of the respective lease terms. Under the Lease Equalization Agreements:

(a) Inovalis will be required to pay to the applicable subsidiaries of the REIT on a quarterly basis during the period commencing on Closing and ending on September 30, 2015, (i) the difference between the actual France Telecom lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately CAD$4,557 thousand in the aggregate, and (ii) the applicable subsidiaries of the REIT will be required to pay to Inovalis, on a quarterly basis during the period commencing on October 1, 2015 and ending on September 30, 2021, the difference between actual France Telecom lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately CAD$4,557 thousand in the aggregate, plus 5.00% per annum of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis representing the opportunity cost to Inovalis resulting from the timing of the payments; and

(b) Inovalis will be required to pay to the applicable subsidiaries of the REIT on a quarterly basis during the period commencing on Closing and ending on September 30, 2016, (i) the difference between the actual

Smart & Co. lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately CAD$426 thousand in the aggregate, and (ii) the applicable subsidiaries of the REIT will be required to pay to Inovalis, on a quarterly basis during the period commencing on October 1, 2016 and ending on September 30, 2019, the difference between actual Smart & Co. lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately CAD$426 thousand in the aggregate, plus 5.00% per annum of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis representing the opportunity cost to Inovalis resulting from the timing of the payments.

Acquisition:

The REIT will indirectly acquire the four Properties located in France and Germany and comprising approximately 529.2 thousand square feet of gross leaseable area for a consideration of CAD$92,588 thousand (€71,243 thousand). For Financial Forecast purposes, cash consideration given has been calculated as the difference between the assets' price (determined on the basis of the bilateral promises of sales and Letter of Intent) and the carrying value of the finance lease liabilities as at January 1, 2013. Effective cash consideration given, determined at the date of acquisition of the leases, will be adjusted by the carrying value of the finance lease liability at that date.

Upon completion of the Offering, the net proceeds would be used to directly and indirectly acquire the Properties and to prepay CAD$3,639 thousand (€2,800 thousand) on the finance lease liability related to the Hanover Property and to settle for CAD$1,853 thousand (€1,426 thousand) the out of the money interest rate swap attached.

Acquisition costs of CAD$3,087 thousand are charged directly to net income.

Net assets acquired using the purchase method of accounting are recorded at their fair values on a preliminary basis as follows:

in thousands of CAD$	Asterisk Portfolio Fair Value
Recognized amounts of identifiable assets acquired and liabilities assumed	
Fair value of properties acquired	210,599
Total Assets acquired	**210,599**
Fair Value of Finance leases liabilities	(106,048)
Fair value of other Financial instruments	(1,853)
Total liabilities acquired	**(107,902)**
Fair value of net assets acquired	**102,697**
Consideration given by the REIT consists of the following:	
Cash	92,588
Consideration given by the REIT	**92,588**
Aggregate Goodwill / (negative goodwill) Net	**(10,110)**

At the acquisition date, the fair values of the assets transferred and of the liabilities incurred are assessed. For purpose of the financial forecast the fair value of the net assets acquired is only provisional and mainly consists of reassessment of the finance lease liabilities attached to the properties the REIT will take over and the reassessment of the properties.

The fair value of the properties assets amount to CAD$210,599 thousand which represent an increase by CAD$12,879 thousand compared to historical value of investment properties. The fair value of the finance lease liabilities amount to CAD$106,048 thousand which represent a decrease by CAD$7,076 thousand compared to historical value of finance leases liabilities (before partial repayment of the finance lease liability effects).

Provisional Goodwill / (Negative Goodwill) estimated above on each acquired business have been booked in profit (loss) for the year as "Net gain on bargain purchase".

For illustration purposes presented below is a reconciliation between the goodwill as determined for purpose of the pro forma (assuming the closing occurred as of September 30, 2012) presented elsewhere in this prospectus and the goodwill as determined for purpose of this forecast (assuming the closing occurred as of January 1, 2013).

Pro forma Net Negative goodwill as at September 30, 2012	Adjustments Investment properties	Finance leases liabilities	Other financial instruments	Cash paid	Currency translation	*Forecast* Net Negative goodwill as at January 1, 2013
			in thousands of Euros			
(8,057)	25	(685)	(137)	1,075	—	(7,779)
in thousands of CAD @1.2646		*in thousands of CAD @1.2996*				*in thousands of CAD @1.2996*
(10,189)	33	(890)	(178)	1,397	(282)	(10,110)

(b) Rental income:

Forecast rental income from income-producing properties is based on rents from existing leases. The overall weighted average occupancy for the income-producing properties during the forecast period is assumed to be approximately 100% due to the head leases to be signed between the REIT and the sellers. Rental revenue includes all rental income receivable from the properties, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period. Included in investment properties revenue for the twelve-month period ending December 31, 2013 is a reduction of CAD$1,945 thousand for amortization of tenant free-rent incentives.

No lease is to expire during the forecast period.

Rental income and Service charge income include the rental revenue related to the head leases agreed between the sellers and the REIT as part of the transaction. PREI 2 agreed to lease 6,876 sqft of office area for a period of one year for CAD$324 thousand (and CAD$74 thousand of Service charge income). Hawaz similarly agreed to lease 15,543 sqft of office area for a period of three years for an annual rent of CAD$656 thousand (and CAD$207 thousand of Service charge income).

Building 40 Jeuneurs Paris:

Forecast rental income of CAD$3,046 thousand from income-producing properties is based on rents from existing leases. The overall weighted average occupancy for the income-producing properties during the forecast period is 100%. Rental revenue includes all rental income receivable from the property, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that the existing tenant fulfills this current contractual lease obligation and remains in occupancy and pay rent for the term of the forecast period.

Building 19 Dubonnet Courbevoie:

Forecast rental income of CAD$3,004 thousand from income-producing properties is based on rents from existing leases. The overall weighted average occupancy for the income-producing properties during the forecast period is 100%. Rental revenue includes all rental income receivable from the property, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period. Included in investment properties revenue for the twelve-month period ending December 31, 2013 is a reduction of CAD$426 thousand for amortization of tenant incentives.

Building Berry-Bearn Vanves:

Forecast rental income of CAD$8,554 thousand from income-producing properties is based on rents from existing leases. The overall weighted average occupancy for the income-producing properties during the forecast period 100%.

Rental revenue includes all rental income receivable from the properties, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period. Included in investment properties revenue for the twelve-month period ending December 31, 2013 is a reduction of CAD$1,519 thousand for amortization of tenant incentives.

Building Hanover:

Forecast rental income of CAD$1,754 thousand from income-producing properties is based on rents from existing leases. The overall weighted average occupancy for the income-producing properties during the forecast period is 100%. Rental revenue includes all rental income receivable from the properties, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue, storage income and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period.

(c) Capital and leasing expenditures

Non-recoverable capital expenditures for ongoing repairs and the replacement of capital items in respect of the Initial Properties are forecast to be approximately CAD$798 for the twelve-month period ending December 31, 2013 and will be paid for from the REIT available revenue.

Leasing expenditures (comprised of tenants' improvements and leasing costs), non-recoverable capital expenditures for ongoing repairs and the replacement of capital items in respect to Vanves and Courbevoie are forecast to be approximately CAD$3,224 thousand for the twelve-month period ending December 31, 2013 and are to be paid for by the sellers or the tenants.

These costs are on a normalized basis and may vary with actual results depending on leasing activity and capital requirements. Capital and leasing expenditures are to be paid by the REIT (except for those mentioned above) and will be financed through non-distributed cash generated from operations, working capital and/or new mortgage financing.

(d) Service charge expense and Other property operating expense:

Service charge expense and Other property operating expense of the investment properties have been forecast with reference to the operating plans and budgets for the properties and are consistent with the releasing assumptions in note 4(b). The financial forecast reflects historical data adjusted for changes in costs due to inflationary and other market trends and anticipated changes in realty tax rates. The major components of those costs consist of realty taxes, utilities, cleaning, insurance, repairs and maintenance and security.

Non-recoverable expenses of CAD$400 thousand are presented as Other property operating expenses whereas recoverable expenses i.e. expenses that are recharged to the tenants of CAD$3,867 thousand are presented as Service charge expenses.

(e) Finance costs:

Subsequent to initial recognition of the finance leases liabilities, the REIT will immediately enter into three years interest rate swaps of 0.85 basis points to fix 100% of the floating interest rates (equal to three-month EURIBOR plus a margin) of those finance leases liabilities. The REIT will concurrently settle for CAD$1,853 thousand (€1,426 thousand) the interest swap attached to the Hanover Property and prepay CAD$3,639 thousand (€2,800 thousand) on the finance lease liability related to the German (Hanover) property.

Interest expense is based on the effective interest rates of the finance leases liabilities after giving effect, as of January 1, 2013, to the arrangements presented above. The servicing of the finance leases liabilities requires payments of interest of CAD$2,188 thousand for the twelve-month period ending December 31, 2013.

Interest expenses also include additional costs of CAD$1,955 thousand that represent the effect of the fair value adjustments on finance lease liabilities related to the business combination and CAD$66 thousand of costs related to the lease equalization agreements described above in section 4(a).

(f) Administration expenses:

Administration expenses of CAD$1,577 thousand reflect management's best estimate of salaries, incentive compensation and benefits of leasing and portfolio managers in France, Germany and Luxembourg and valuation and other fees. Administration expenses also include general and administrative expenses. Forecast reflect management's best estimate of legal fees, trustees fees, regulatory costs, annual report costs, transfer agent fees and insurance costs.

Inovalis is entitled to receive an annual remuneration of CAD$1,653 thousand calculated as 0.75% of the value of the managed properties (the remuneration is based on the transaction prices including costs directly attributable to the acquisition of the properties) in consideration of asset management services rendered in its capacity as asset manager (the Annual Asset Management Fee). Inovalis, in its capacity as asset manager of the REIT, has agreed to be paid in Exchangeable Units (refer to section 4(a)).

(g) Acquisitions and dispositions of investment properties:

This financial forecast does not reflect any potential sales or acquisitions of investment properties other than the acquisition discussed in note 4(a). However, it is possible that the REIT will make purchases and sales of investment properties during the forecast period, which will only be undertaken on a basis considered by management to be advantageous to us and as approved by the Trustees.

(h) Income taxes:

We assume that on Closing the REIT will qualify as a mutual fund trust and not be a SIFT and that the French entities will fulfill their obligations to be income tax exempt as described in note 3(d). Accordingly, no net current income tax expense or future income tax assets or liabilities have been recorded in the financial forecast in respect of the REIT and of the French entities. Taxable income related to taxable subsidiaries has been determined using the corresponding assumptions and legislated rates as discussed in note 3(d). Based on the forecasted taxable income for fiscal year 2013 no net current income tax expense or deferred income tax assets or liabilities have been recorded in the financial forecast except for a CAD$42 thousand expense corresponding to the 5% withholding tax levied in France in fiscal year 2013 estimated dividend distributions made by the OPCI to Luxco and CAD$14 thousand current income tax on Luxco.

(i) Foreign currency translation:

The financial forecast assumes that the exchange rate between the Canadian dollar and the Euro will remain at 1.2996, which was the 10-day average noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars as of January 15, 2013.

(j) Fair value change on investment properties:

We have adopted the fair value model for accounting for investment properties requiring the fair value of the property to be determined at each reporting date. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair values of the investment properties.

(k) Fair value change of financial instruments:

Subsequent to initial recognition, hedging swaps entered into to fix the floating interest rates on the debt will be adjusted to their fair values at each reporting period with changes in fair value recorded in net income. For purposes of the forecast consolidated Income Statements no change in fair values of derivative and financial instruments has been assumed.

(l) Foreign currency hedge:

On or about the time of Closing, we will implement a hedging program to minimize the currency risk for distributions paid to Unitholders (invested directly into the REIT) in Canadian Dollars, considering that the cash flows received from our Subsidiaries will be in Euros. The foreign currency arrangements will economically hedge distributions paid to Unitholders; however, because the arrangement does not meet the criteria for applying hedge accounting, changes in the fair value of the foreign currency derivative should be recognized in net income. The forecast assumes that there is no change in the value of the foreign currency derivative. As of March 26, 2013, the average of the forward exchange rates that the REIT can effectively lock in for the last nine months of the forecast period for the purposes of hedging distributions to Unitholders is approximately $1.3245 Canadian dollars for one Euro.

(m) Acquisition costs:

On January 1, 2013 the assumed acquisition costs of CAD$3,087 thousand have been charged to income consistent with the accounting for such costs under IFRS.

(n) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

(o) Change in fair value of exchangeable securities

An expense of CAD$1,628 thousand for the year ending December 31, 2013 has been booked that reflects the change in fair value of Exchangeable Securities. For financial forecast purposes, change in fair value has been estimated as the Exchangeable securities holders' share at the beginning of the period in "Profit/(loss) for the period" before "Change in fair value of exchangeable securities". This change in fair value includes the interest on Luxco Notes.

5. Commitment and Contingencies:

The REIT has ongoing commitments related to leasing expenditures incurred in the ordinary course of business and specific commitments related to the Offering as presented elsewhere in this prospectus. Commitments taken by the REIT with the lessor of the finance lease (that authorized the Acquisition) are as follows:

- pledge of units in the French SPV in an amount equal to the outstanding capital, for the entire remaining lease period,
- undertaking to be entered into by Luxco; (i) not to modify or otherwise change the legal form of the French SPV, and (ii) not to sell their interests in the capital of the lessee French SPV without prior consent,
- assignment of sublease rental payments as a guarantee and signature of new forms in respect of the assignment of receivables by the above mentioned French SPV,
- transfer to the French SPV of the advance lease payment and confirmation of the pledge thereof,
- undertaking by the French SPV not to terminate the asset management agreement with Inovalis without the French SPV's prior consent,
- undertaking by the French SPV to allocate all receipts generated by the property (the "cash flow") to cover the following expenses: property charges and expenses, property-related taxes and levies, rental expenses and related expenses in respect of the property lease, property management expenses, asset management fees, all such sums as may be due in respect of subordinated loans,
- guarantee given by the German SPV in the amount of all sums due under the Hanover's Property Lease Agreement.

UNAUDITED NON-IFRS RECONCILIATION

The following table reconciles forecast net income to FFO and AFFO (See “Non-IFRS Measures” and “Financial Forecast”).

(in thousands of Canadian dollars, except per Unit amounts)	Three-month Periods ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	Sept 30, 2013	December 31, 2013	December 31, 2013
Net Profit (loss) for the Period	**8,197**	**1,895**	**1,902**	**1,864**	**13,858**
Add/(Deduct)					
Acquisition Costs	3,087	—	—	—	3,087
Negative goodwill	(10,110)	—	—	—	(10,110)
Change in fair value of exchangeable securities	937	224	232	235	1,628
FFO	**2,111**	**2,119**	**2,134**	**2,099**	**8,463**
Add/(Deduct)					
Amortization of fair value adjustment on assumed debt	496	493	490	476	1,955
Non cash part of Assets Management Fees paid in Exchangeable Securities[(1)]	207	207	207	207	827
Capex net of cash subsidy[(2)]	(199)	(199)	(199)	(199)	(798)
AFFO	**2,614**	**2,620**	**2,631**	**2,582**	**10,447**
FFO / Units[(3)]	**$ 0.18**	**$ 0.18**	**$ 0.18**	**$ 0.18**	**$ 0.72**
AFFO / Units[(4)]	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.89**

(1) For purposes of this presentation, 50% of non cash part of Asset Management Fee included in AFFO reconciliation. Notwithstanding, 100% of the Asset Management Fee will be paid in Exchangeable Securities.

(2) Vendor is setting aside in an escrow account C$4.2 million of cash for payment of Capex to be invested in the next three years. 71.4% of the total GLA of the Initial Properties are subject to a Quadruple Net Lease.

(3) Forecast FFO per Unit amounts are based on 11,700,000 Units.

(4) Forecast AFFO per Unit amounts are based on the weighted average number of Units outstanding for the period including Units issuable for Exchangeable Securities. Asset Management Fees paid 50% in Exchangeable Securities are also considered in the Fully Diluted Unit calculation. Fully Diluted Unit ending amounts including Exchangeable Securities for the periods of March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 are 11,710,332, 11,730,996, 11,751,659 and 11,772,323, respectively. Weighted average Units outstanding for the 12-month period ending December 31, 2013 equate to 11,741,328.

Note: Net non-cash straight line rental income of $1.9 million; Inovalis will, on Closing, enter into the Lease Equalization Agreements with the REIT, which will have the effect of equalizing the rent payments over the term of two leases. See “Relationship with Inovalis – Lease Equalization Agreements”.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following covers the historical performance of (i) the Dubonnet Property and Jeûneurs Property (collectively, "**PREI Portfolio Group**"); (ii) the Vanves Property ("**HAWAZ Portfolio Group**"); and (iii) the Hanover Property ("**WEL 6**"). In addition, there is some discussion and analysis on forward looking information as it relates to the REIT.

PREI Portfolio Group

Overview

The PREI Portfolio Group, which is not a legal entity, is comprised of the Dubonnet Property and the Jeûneurs Property (collectively, "**PREI Portfolio Properties**"), both of which are located in Paris and Courbevoie, France and together consist of 146,518 square feet (13,612 square meters) of office space. The Dubonnet Property is leased to a diverse range of six tenants and is currently 93% occupied. The Jeûneurs Property is currently 100% occupied by a doctoral degree-granting higher education establishment operated and guaranteed by the French government. PREI 2 and PREI 4 are two private limited companies that hold rights on finance lease contract, on the Dubonnet Property and the Jeûneurs Property respectively.

PREI Portfolio Group's functional reporting currency is the Euro. The financial statements for the years ended December 31, 2011, 2010 and 2009 and for the nine months ended September 30, 2012 and 2011 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board (IASB) as of December 31, 2011.

The combined financial statements have been prepared solely in connection with the Offering, as a method of presenting historical property information relating thereto. The financial statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning the PREI Portfolio Properties.

Selected Financial Information

(Unless otherwise stated, all amounts are in € thousands)

	Nine months ended September 30		Year ended December 31		
	2012	**2011**	**2011**	**2010**	**2009**
Net Rental Income	3,019	3,171	4,089	3,557	3,213
Net profit/loss	(1,662)	1,781	1,384	3,438	(5,912)
Weighted Average Occupancy Rate (in %)					
Dubonnet Property	*93%*	*93%*	*93%*	*92%*	*49%*
Jeûneurs Property	*100%*	*100%*	*100%*	*100%*	*100%*
Weighted Average Rental Value per Square Meter (in €)					
Dubonnet Property	*134*	*116*	*176*	*244*	*192*
Jeûneurs Property	*295*	*380*	*501*	*552*	*534*
Fair Value of Investment Property					
Dubonnet Property	*26,629*	*27,154*	*27,149*	*26,639*	*21,488*
Jeûneurs Property	*29,544*	*30,528*	*30,524*	*28,139*	*28,133*
Total Assets	62,125	62,688	62,899	59,299	54,004
Total Current Liabilities	41,076	38,005	38,954	36,381	31,781
Total Liabilities	72,026	70,530	71,138	68,923	67,066

Net Rental Income

Net Rental Income corresponds to rental income plus service charge income, less service charge expenses and other property operating expenses. Net rental income is mainly impacted by the occupancy rate, the entrance or the departure of tenants and the annual rent indexation. Changes in net rental income are explained in the section below entitled "Results of Operations".

Weighted Average Occupancy Rate

Weighted Average Occupancy Rate corresponds to the average percentage of all rental units occupied or rented during the period. The weighted average occupancy rate of the Dubonnet Property increased from 49% during the year ended December 31, 2009 to 93% during the nine months ended September 30, 2012, mainly due to an extension of the rented area by the tenant SMART & CO in January 2011.

Weighted Average Rental Value Per Square Meter

Weighted Average Rental Value Per Square Meter corresponds to the average market value of a property while rented divided by the number of rented square meters. Changes in weighted average rental value per square meter are mainly attributable to changes in market value, occupancy rate or rented square meters.

Fair Value of Investment Property

Fair Value of Investment Property is performed by accredited independent valuators and corresponds to the estimated amount for which the property would sell unconditionally for cash consideration on the date of valuation. Changes to the fair value of investment property are mainly attributable to a variety of factors, including occupancy rate, rent free incentives, rental value per square meter and general building-condition, and to market factors, such as estimated rental value and equivalent yield. For the nine-months ended September 30, 2012, Fair Value of Investment Property is based on the purchase price of the applicable property pursuant to the Assignment Agreements without taking into account the value of the Vendor Leases and the fact that the Vendors will be responsible for the applicable property's capital expenditures.

Total Assets

Total Assets include current and non-current assets. Changes in total assets are mainly attributable to changes in the fair value of investment property, changes in current account with PREI holding, the direct parent company and changes in cash and cash equivalents.

Total Current Liabilities

Total Current Liabilities mainly consist of current borrowings and trade payables. Changes in current liabilities are mainly due to changes in current borrowings, including repayments of finance lease liabilities.

Total Liabilities

Total Liabilities include current and non-current liabilities. There were no significant changes in total liabilities.

PREI Portfolio Group – For the Years Ended December 31, 2011, 2010 and 2009

The following discusses the financial condition and results of operations of the historical information relating to the PREI Portfolio Group for the years ended December 31, 2011, 2010 and 2009. This information should be read in conjunction with the audited PREI Portfolio Group combined financial statements for the years ended December 31, 2011, 2010 and 2009.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the PREI Portfolio Group for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the PREI Portfolio Group will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

The following data represents transactions and events that have had a material effect on the PREI Portfolio Group and are expected to affect the results into the future.

Changes in Lease Contracts

On June 30, 2009, a tenant in the Dubonnet Property, SMI-SOCIETE MICRO INFO, which had previously occupied 511 square meters of office space, vacated the premises. On August 10, 2010, a tenant in the Dubonnet Property, REALISTA, which had previously rented 511 square meters of office space and an additional 152 square meters of storage space in the basement, vacated the premises. On October 1, 2010, the tenant Smart & Co started a lease of 1,521 square meters in the Dubonnet Property, extended to 4,551 square meters on January 1, 2011.

Capital Expenditures

During the year ended December 31, 2009, we replaced the air conditioning system, completed the renovation of elevators and realized tenancy improvement works at the Dubonnet Property. During the year ended December 31, 2010, we performed technical audits in accordance with facade renovation, completed the renovation of elevators and realized tenancy improvement works at the Dubonnet Property. During the year ended December 31, 2011, we replaced two dry coolers and realized tenancy improvement works at the Dubonnet Property.

Indebtedness

On December 30, 2011, our interest rate swap on Jeûneurs Property expired. On September 30, 2010, we received a reimbursement in the amount of €300 thousand by the owner of the leasehold interest for renovations we performed on the Dubonnet Property. On September 30, 2009, we received a reimbursement in the amount of €1,091 thousand by the owner of the leasehold interest for renovations we performed on the Jeûneurs Property.

Results of Operations

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010
(Unless otherwise stated, all amounts are in € thousands)

	Year ended December 31,		Variation	
	2011	**2010**	**€**	**%**
Rental income	4,290	3,624	666	18.4%
Service charge income	852	706	145	20.6%
Service charge expense	(868)	(720)	(148)	20.6%
Other property operating expense	(185)	(54)	(131)	242.6%
Net rental income	**4,089**	**3,557**	**532**	**15.0%**
Administration expenses	(808)	(827)	19	(2.2)%
Valuation gains (losses) from completed investment property	2,139	4,482	(2,342)	(52.3)%
Operating profit (loss)	**5,420**	**7,212**	**(1,792)**	**(24.8)%**
Finance income	808	552	257	46.5%
Finance costs	(3,287)	(3,773)	486	(12.9)%
Finance income (loss)	**(2,479)**	**(3,221)**	**742**	**(23.0)%**
Profit (loss) before taxes	**2,941**	**3,991**	**(1,050)**	**(26.3)%**
Income tax expense	(1,557)	(551)	(1,005)	182.4%
Profit (loss) for the year	**1,384**	**3,438**	**(2,054)**	**(59.7)%**

Net rental income

During the year ended December 31, 2011 as compared to the same period in 2010, rental income increased by €666 thousand or 18.4%. This increase was primarily due to a higher weighted average occupancy rate in the Dubonnet

Property from 41% in the year ended December 31, 2010 to 80% in the year ended December 31, 2011. This increase was also due to the increase of the PREI Portfolio Group's average rent indexation by 1.8% in 2011. During the year ended December 31, 2011 as compared to the same period in 2010, service charge income increased by €145 thousand or 20.6% and service charge expense increased by €148 thousand or 20.6%, as a result of higher weighted average occupancy rate in the Dubonnet Property. Net rental income increased by €532 thousand or 15.0% in the year ended December 31, 2011 as compared to the same period in 2010, mainly as a result of an increase in rental income by €666 thousand.

Administration expenses

During the year ended December 31, 2011 as compared to the same period in 2010, administration expenses decreased by €19 thousand or 2.2%.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2011, valuation gains from completed investment property amounted to €2,139 thousand. This gain was due to a positive change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from a lower vacancy theoretical rate assumption in the year ended December 31, 2011 (7.17%) as compared to the year ended December 31, 2010 (7.55%) and an increase in the average rent indexation.

Finance income (loss)

During the year ended December 31, 2011 as compared to the same period in 2010, finance losses decreased by €742 thousand or 23.0% primarily due to a positive net change in the fair value of financial instruments of €794 thousand in the year ended December 31, 2011 as compared to €552 thousand in the year ended December 31, 2010.

This decrease in finance loss was also due to a decrease in interest on finance leases following the increase in the principal amount of the financial lease resulting in a decrease of interests' share in repayments year by year.

Income tax expense

During the year ended December 31, 2011 as compared to the same period in 2010, income tax decreased by €1,005 thousand, from an expense of €551 thousand in the year ended December 31, 2010 to an expense of €1,557 thousand in the year ended December 31, 2011. Income tax is entirely composed of deferred taxes.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009
(Unless otherwise stated, all amounts are in € thousands)

	Year ended December 31,		**Variation**	
	2010	**2009**	**€**	**%**
Rental income	3,624	3,761	(138)	(3.7)%
Service charge income	706	474	232	49.0%
Service charge expense	(720)	(784)	64	(8.1)%
Other property operating expense	(54)	(239)	185	(77.6)%
Net rental income	**3,557**	**3,213**	**344**	**10.7%**
Administration expenses	(827)	(886)	60	(6.7)%
Valuation gains (losses) from completed investment property	4,482	(4,920)	9,402	N/A
Operating profit (loss)	**7,212**	**(2,593)**	**9,805**	**(378.1)%**
Finance income	552	5	547	N/A
Finance costs	(3,773)	(3,855)	82	(2.1)%
Finance income (loss)	**(3,221)**	**(3,850)**	**629**	**(16.3)%**
Profit (loss) before taxes	**3,991**	**(6,443)**	**10,434**	**N/A**
Income tax expense	(551)	532	(1,083)	(203.6)%
Profit (loss) for the year	**3,438**	**(5,912)**	**9,350**	**N/A**

Net rental income

During the year ended December 31, 2010 as compared to the same period in 2009, rental income decreased by €138 thousand or 3.7%. This decrease was due to a lower weighted average occupancy rate in the Dubonnet Property from 49% in the year ended December 31, 2009 to 41% in the year ended December 31, 2010. During the year ended December 31, 2010 as compared to the same period in 2009, service charge income increased by €232 thousand or 49.0%. This increase was primarily due to the initial payment of service charges by a new tenant of the Dubonnet Property who occupied the premises in October 2010.

During the year ended December 31, 2010 as compared to the same period in 2009, service charge expense decreased by €64 thousand or 8.1%. Net rental income increased by €344 thousand or 10.7% in the year ended December 31, 2010 as compared to the same period in 2009, mainly as a result of the increase in service charge income by €232 thousand.

Administration expenses

During the year ended December 31, 2010 as compared to the same period in 2009, administration expenses slightly decreased by €60 thousand or 6.7% primarily due to lower other general administrative expenses.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2010, valuation gains from completed investment property amounted to €4,482 thousand. This gain was due to a positive change in the fair value of completed investment property performed by accredited independent valuators, resulting from market improvement in 2010 (equivalent yield of the Dubonnet Property and the Jeûneurs Property decreased from 7.25% and 6.65% respectively in the year ended December 31, 2009 to 7.00% and 6.25% respectively in the year ended December 31, 2010), and from a decrease in the Dubonnet Property's vacancy rate (due to the arrival in October 2010 of a new tenant).

Finance income (loss)

During the year ended December 31, 2010 as compared to the same period in 2009, finance losses decreased by €629 thousand or 16.3% primarily due to a positive net change in fair value of financial instruments of €552 thousand in the year ended December 31, 2010 as compared to a negative net change of €44 thousand in the year ended December 31, 2009. The decrease in finance loss was also due to a decrease in interest on finance leases following the systematic decrease of interests' share in repayments year by year.

Income tax expense

During the year ended December 31, 2010 as compared to the same period in 2009, income tax decreased by €1,083 thousand, from an income of €532 thousand in the year ended December 31, 2009 to an expense of €551 thousand in the year ended December 31, 2010. Income tax is entirely composed of deferred taxes.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has not been presented as the PREI Portfolio Group did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

PREI Portfolio Group expects to have sufficient funds to meet all of its obligations as they become due. PREI Portfolio Group expects to have sufficient liquidity as a result of the sources set out below:

Cash flow from operating activities

Net cash provided by operating activities decreased by €1,778 thousand in the year ended December 31, 2011 compared to 2010 and by €824 thousand in the year ended December 31, 2010 compared to 2009, from a €3,826 thousand inflow in 2009 to a €3,002 thousand inflow in 2010, and to a €1,224 thousand inflow in 2011.

For the year ended December 31, 2011, net cash provided by operating activities was positively impacted by cash flow from operations of €2,753 thousand and the negative cash impact of working capital requirements of €1,529 thousand, mainly due to a €2,019 thousand increase in trade and other receivables. This increase was primarily attributable to an intercompany loan made by IIB BSC, the indirect parent company of PREI Portfolio Group, for €2,011 thousand.

For the year ended December 31, 2010, net cash provided by operating activities was positively impacted by cash flow from operations of €2,317 thousand and the positive cash impact of working capital requirements of €685 thousand.

For the year ended December 31, 2009, net cash provided by operating activities was positively impacted by cash flow from operations of €2,327 thousand and the positive cash impact of working capital requirements amounting to €1,499 thousand, mainly due to a €1,486 thousand increase in trade and other payables. This increase was primarily attributable to an increase in current account with PREI holding, the direct parent company of PREI Portfolio Group.

Cash flow from investing activities

Cash used in investing activities decreased by €60 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and by €638 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €801 thousand outflow in 2009 to a €163 thousand outflow in 2010, and to a €103 thousand outflow in 2011. Our cash used in investing activities in the year ended December 31, 2011, 2010 and 2009 comprised capital expenditures of €353 thousand, €449 thousand and €789 thousand, respectively.

In the year ended December 31, 2011, capital expenditures mainly consisted of replacing two dry coolers and realizing tenancy improvements on the Dubonnet Property. In the year ended December 31, 2010, capital expenditures mainly comprised technical audits related to facade restoration, renovation of elevators and tenancy improvements on the Dubonnet Property. In the year ended December 31, 2009, capital expenditures mainly comprised renovation of elevators on the Dubonnet Property.

Cash flow from financing activities

Net cash used in financing activities decreased by €578 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and increased by €643 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €2,247 thousand outflow in 2009 to a €2,890 thousand outflow in 2010, and to a €2,311 thousand outflow for the year ended December 31, 2011. Financing activities in the year ended December 31, 2011, 2010 and 2009 consisted of the repayment of finance lease liabilities in the amount of €1,463 thousand, €1,561 thousand and €357 thousand, respectively, and the payment of financial interest on equity loans and finance leases of €848 thousand, €1,329 thousand and €1,890 thousand, respectively. Our financial interest payments were lower year over year due to the increase in the principal amount of the finance lease resulting in a decrease of the interests' share in the finance lease repayments. Our finance lease repayments were significantly lower in 2009 than in 2010, given that the 2009 amount is net of the lessee loan recovery.

Liquidity

As of December 31, 2011, we had net cash and cash equivalents of €670 thousand compared to €1,736 thousand as of December 31, 2010 and €1,599 thousand as of December 31, 2009. See "Liquidity" in the section "PREI Portfolio – For the Nine Months Ended September 30, 2012 and 2011" for a description of liquidity requirements and resources.

Contractual Obligations

As of December 31, 2011, we had financial debt of €58,755 thousand (including €31,261 thousand of finance lease liabilities) compared to €58,127 thousand as of December 31, 2010 (including €32,968 thousand of finance lease liabilities) and to €57,002 thousand as of December 31, 2009 (including €34,267 thousand of finance lease liabilities). See "Contractual Obligations" in the section "PREI Portfolio – For the Nine Months Ended September 30, 2012 and 2011" for a detailed presentation of financial debt.

Capital Expenditures

The REIT intends to distribute a high percentage (90%) of its AFFO to Unitholders. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and maintenance capital. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or a subordinated loans. Capital expenditure commitments are reviewed and budgeted annually and financed out of working capital. The REIT may also raise additional capital to the extent Unitholders participate in the REIT's DRIP.

During the year 2013, the REIT expects to have a €913 thousand cash outflow relating to the acquisition of the PREI Portfolio Group, and to have a €741 thousand cash inflow, as a reimbursement directly received from the Dubonnet Property, with a guaranteed cash reserve. Therefore, that represents a net cash outflow of €172 thousand.

Capital expenditures include common works, transformation works, capital expenditures of co-ownership, special property expenditures, audit technical fees and legal fees. Capital expenditures also include tenancy improvements, which take place upon a change in tenants. For a discussion of 2011, 2010 and 2009 capital expenditures, see "Cash flow from investing activities" above. We do not have any commitments for capital expenditures as of the date of PREI Portfolio Group's last combined financial statements.

Off-Balance Sheet Arrangements

Off- Balance Sheet arrangements given

The PREI Portfolio Group's off-balance sheet arrangements as at December 31, 2011, 2010 and 2009 were as follows:

	December 31		
In € thousands	**2011**	**2010**	**2009**
Pledge of sums standing to the credit of the current bank account in favor of lessors	318	583	497
Pledge of the lessee loan in favor of lessors	312	394	817
Pledge of financial instrument accounts (money-market funds) in favor of lessors	157	392	392
PREI 2 – "Dubonnet" Building	**786**	**1,369**	**1,707**
Pledge of sums standing to the credit of the current bank account in favor of lessors	351	1,156	1,098
Pledge of the lessee loan in favor of lessors	826	944	1,061
PREI 4 – "Jeûneurs" Building	**1,177**	**2,100**	**2,159**

Off-balance sheet commitments given by PREI 2 are fully intended for its two lessors, GENEFIM and CICOBAIL, and off-balance sheet commitments given by PREI 4 are fully intended for its two lessors, FINAMUR (a subsidiary of Crédit Agricole Leasing & Factoring) and NATIOCREDIMURS (a subsidiary of BNP Paribas Leasing Solutions).

According to the finance lease agreements the shares of PREI 2 and PREI 4 are also pledged in favor of the lessors and PREI 2 and PREI 4 assigned their fully owned receivables that have arisen or that may subsequently arise against tenants (until lessors' rights lapse) in favor of the lessors. PREI 4 additionally pledged its intangible assets attached to the finance lease contract (i.e. leasehold rights and promise of sale) in favor of the lessors.

Off-Balance Sheet arrangements received

PREI 2 has received in the year ended December 31, 2010 a bank guarantee on first demand on the lease Smart & Co. for a period of nine years for €1,600 thousand in the first three years and €1,200 thousand for the next three years and €800 thousand for the last three years.

Transactions With Related Parties

PREI Portfolio Group's immediate parent company is "PREI Holding", which owns 100% of PREI 2 and PREI 4's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

December 31, 2011

In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings
Amount of transaction						
Amount due to Inovalis	(636)	(60)	—	—	(2,632)	(766)
Amount due to Realista	(175)	—	—	—	(222)	—
Amount due to PREI Holding	—	—	3,694	(5,368)	—	—
Amount due to IIB BSC and IIB France	—	(2,151)	—	—	—	(26,728)

December 31, 2010

In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings
Amount of transaction						
Amount due to Inovalis	(693)	(56)	—	—	(1,856)	(706)
Amount due to Realista	(145)	—	—	—	(93)	—
Amount due to PREI Holding	—	—	1,683	(4,919)	—	—
Amount due to IIB BSC and IIB France	—	(2,179)	—	—	—	(24,453)

December 31, 2009

In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings
Amount of transaction						
Amount due to Inovalis	(699)	(56)	—	—	(1,333)	(650)
Amount due to Realista	(136)	—	—	—	(82)	—
Amount due to PREI Holding	—	—	1,128	(4,809)	—	—
Amount due to IIB BSC and IIB France	—	(2,165)	—	—	—	(22,086)

Terms and conditions of transactions with related parties

The following are described in the combined financial statements for the years ended December 31, 2011, 2010 and 2009: (i) the financial terms and conditions of the comfort granted by the ultimate shareholders in their capacity as lenders are described in Note 17 – Financial risk management and policies, in Note 22 – Subsequent events and in Note 14 – Interest bearing loans and borrowings and finance lease liabilities; (ii) the financial terms and conditions of the waivers granted by Inovalis are described in Note 17 – Financial risk management and policies; and (iii) current accounts with PREI Holding are non-interest bearing.

Comfort letters were signed by the ultimate shareholders in their capacity as lenders to confirm that they will not ask for the payment of the subordinated loans and the pending coupons. The table below summarizes for each subordinated loan the date of the signing of the comfort letter, years covered and the interest rates charged:

In € thousands	Lender	Effective interest rate		
		2011	2010	2009
As at December 31,				
€ 10,478,000 subordinated loan	IIB France	11%	11%	11%
€ 7,254,000 subordinated loan	IIB BSC	11%	11%	11%
€ 2,236,000 subordinated loan	IIB BSC	8.50%	8.50%	8.50%
Waivers				
Date of signature and year covered		May 15, 2011		
		2011	2010	2009
As at December 31,				
€ 462,000 subordinated loan	Inovalis	11%	11%	11%
€ 48,000 subordinated loan	Inovalis	11%	11%	11%
Waivers				
Date of signature and year covered		April 29, 2011		

The PREI Portfolio Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, PREI 2 and PREI 4 (associates of Inovalis) both signed with Luxco (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, PREI 2 and PREI 4 and Luxco have renewed their engagement to sell and to purchase the investment properties through six amendments.

Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration equal to 0.9% plus 0.1% of the value of the managed property (determined at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration equal to 0.2% of the value of the managed property (determined at the date of inception of the agreement) plus an additional fee equal to 2% of all cash collected in its capacity as property manager.

The strategic fees are included in “Administration expenses” in the combined income statement and related payables and receivables are recorded in “Trade and other payables” and “Trade and other receivables” in the combined balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budgets and business plans, making settlements included in the annual budget and business plans and contracting with third parties.

The property management fee is included in “Other property operating expense” in the combined income statement and related payables and receivables are recorded in “Trade and other payables” and “Trade and other receivables” in the combined balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of critical accounting estimates and policies that we apply under IFRS is provided in Note 2 of historical combined financial statements for the years ended December 31, 2011, 2010 and 2009.

Significant Accounting Policies and Changes in Accounting Policies

Significant accounting policies and changes in accounting policies are described in Note 3 of historical combined financial statements for the years ended December 31, 2011, 2010 and 2009.

Financial Instruments and Other Instruments

The Group has entered into an interest rate swap with notional amounts of €21,646 thousand (2010: €21,646 thousand and 2009: €21,646 thousand) whereby it receives a variable rate of interest based on Euribor three month ("Euribor 3M") and pays a fixed rate of interest at 4.80% on the notional amount. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans.

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of zero € (2010: €807 thousand and 2009: €1,358 thousand).

Subsequent Events

Comfort letter and Debt renegotiation

As described in Note 17 – Financial risk management objectives and policies, INOVALIS and IIB BSC have provided support to PREI 2 and PREI 4 for the year ended December 31, 2012.

As of December 17, 2012 and January 20, 2013 respectively, the ultimate shareholder (INOVALIS) and the ultimate controlling shareholder IIB BSC issued comfort letters in order to support the business model of PREI 2 and PREI 4 the two entities until the end of December 2013.

On July 11, 2012, the subordinated loan between IIB BSC and PREI 2 was amended to postpone the due date to July 10, 2013. On August 28, 2012, the subordinated loans between IIB France and PREI 2 and PREI 4 were renegotiated to extend the maturity date until December 31, 2013. On November 26, 2012, the subordinated loans between INOVALIS and PREI 2 and PREI 4 were renegotiated to postpone the due date as of December 31, 2013.

Bilateral promise of sale

On May 2, 2012, PREI 2 and PREI 4 signed with Luxco a bilateral promise of sale of the lease contracts held. The sale of lease contracts under which investments properties are held by PREI 2 and PREI 4 and of the related lease contracts with tenants was authorized by the lessors of the finance leases on March 19, 2013 and March 25, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorized by a resolution of the sole shareholder on April 23, 2012. Since May 2, 2012, PREI2 and PREI 4 and Luxco have renewed their agreement to sell and to purchase the investment properties through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to the last amendment, parties are bound to their promises until April 30, 2013.

Others subsequent events

Subsequent to the year ended December 31, 2011, PREI 4 and Conservatoire National des Arts et Métiers (a tenant of 40 rue des Jeuneurs property) have agreed to a renewal of the lease for a period of nine years and an annual amount of €2,045 thousand.

A tax audit of PREI 2 conducted by the French Tax Authority on fiscal years 2009, 2010 and 2011 started in October 2012 and is still in progress.

PREI Portfolio Group – For the Nine Months Ended September 30, 2012 and 2011

The following discusses the financial condition and results of operations of the historical information relating to the PREI Portfolio Group for the nine months ended September 30, 2012 and 2011. This information should be read in conjunction with the audited PREI Portfolio Group combined financial statements for the nine months ended September 30, 2012 and 2011.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the PREI Portfolio Group for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the PREI Portfolio Group will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

The following data represents transactions and events that have had a material effect on the PREI Portfolio Group and are expected to affect the results into the future.

Capital Expenditures

During the nine months ended September 30, 2012, we built a sandwich bar for Fresh & Co. and finalized the replacement of two dry coolers on the Dubonnet Property.

Results of Operations

Results of Operations – Nine Months Ended September 30, 2012 Compared to September 30, 2011
(Unless otherwise stated, all amounts are in € thousands)

	Nine months ended September 30,		Variation	
In € thousands	**2012**	**2011**	**€**	**%**
Rental income	3,105	3,227	(122)	(3.8)%
Service charge income	730	678	53	7.8%
Service charge expense	(660)	(617)	(43)	7.0%
Other property operating expense	(157)	(117)	(40)	34.2%
Net rental income	**3,019**	**3,171**	**(152)**	**(4.8)%**
Administration expenses	(646)	(623)	(23)	3.7%
Valuation gains (losses) from completed investment property	(1,839)	2,331	(4,170)	N/A
Operating profit (loss)	**534**	**4,880**	**(4,345)**	**(89.1)%**
Finance income	0	631	(631)	(100.0)%
Finance costs	(2,239)	(2,319)	80	(3.4)%
Finance income (loss)	**(2,239)**	**(1,688)**	**(551)**	**32.7%**
Profit (loss) before taxes	**(1,705)**	**3,192**	**(4,897)**	**N/A**
Income tax expense	43	(1,410)	1,453	N/A
Profit (loss) for the year	**(1,662)**	**1,781**	**(3,443)**	**N/A**

Net rental income

During the nine months ended September 30, 2012 as compared to the same period in 2011, rental income decreased by €122 thousand or 3.8%. This decrease was primarily due to the downward adjustment of the Jeûneurs Property's lease renewal. During the nine months ended September 30, 2012 as compared to the same period in 2011, service charge income increased by €53 thousand or 7.8% and service charge expense increased by €43 thousand or 7.0%, as a result of a higher office tax in 2012. Net rental income decreased by €152 thousand or 4.8% in the nine months ended September 30, 2012 as compared to the same period in 2011, mainly as a result of a decrease in rental income of €122 thousand.

Administration expenses

During the nine months ended September 30, 2012 as compared to the same period in 2011, administration expenses increased by €23 thousand or 3.7% primarily due to higher other general and administrative expenses.

Valuation gains (losses) from completed investment property

For the nine months ended September 30, 2012, valuation losses from completed investment property amounted to €(1,839) thousand. This loss was due to a negative change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from market deterioration in 2012.

Finance income (loss)

During the nine months ended September 30, 2012 as compared to the same period in 2011, finance losses increased by €551 thousand or 32.7% primarily due to the expiration of all hedging contracts as at December 30, 2011 which had a positive net change in the fair value of financial instruments of €616 thousand in the nine months ended September 30, 2011. The decrease in the net change in the fair value of financial instruments was partially offset by a decrease in finance costs on derivative instrument by €105 thousand.

Income tax expense

During the nine months ended September 30, 2012 as compared to the same period in 2011, income tax improved by €1,453 thousand, from an expense of €1,410 thousand in the nine months ended September 30, 2011 to an income of €43 thousand in the nine months ended September 30, 2012. Income tax is entirely composed of deferred taxes.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – Management's Discussion & Analysis, quarterly information has not been presented as the PREI Portfolio Group did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

PREI Portfolio Group expects to have sufficient funds to meet all of its obligations as they become due. PREI Portfolio Group expects to have sufficient liquidity as a result of the sources set out below:

Cash flow from operating activities

Net cash provided by operating activities increased by €498 thousand, from €1,615 thousand inflow in the nine months ended September 30, 2011 to €2,113 thousand inflow in the nine months ended September 30, 2012.

For the nine months ended September 30, 2012, our net cash provided by operating activities was positively impacted by cash flow from operations amounting to €2,077 thousand and the positive cash impact of working capital requirements amounting to €36 thousand.

For the nine months ended September 30, 2011, our net cash provided by operating activities was positively impacted by cash flow from operations amounting to €2,597 thousand and the negative cash impact of working capital requirements amounting to €983 thousand, mainly due to a €1,473 thousand increase in trade and other receivables. This increase was primarily attributable to an intercompany loan made by PREI 4 to the IIB BSC, the indirect parent company of PREI Portfolio Group for €2,011 thousand.

Cash flow from investing activities

Net cash used in investing activities decreased by €274 thousand, from a €323 thousand outflow in the nine months ended September 30, 2011 to a €49 thousand outflow in the nine months ended September 30, 2012. Cash used in investing activities comprised capital expenditures as a whole. During the nine months ended September 30, 2011, we built a sandwich bar for Fresh & Co and finalized the replacement of two dry coolers in the Dubonnet Property.

Cash flow from financing activities

Net cash used in financing activities decreased by €16 thousand, from an outflow of €1,979 thousand for the nine months ended September 30, 2011 to an inflow of €1,963 thousand for the nine months ended September 30, 2012. Our financing activities in the nine months ended September 30, 2012 and 2011 consisted of finance lease liabilities repayments of €1,419 thousand and €1,263 thousand, respectively, and of payment of financial interest on equity loans and financial leases for €544 thousand and €716 thousand, respectively.

Liquidity

As of September 30, 2012, we had net cash and cash equivalents of €776 thousand compared to €996 thousand as of September 30, 2011.

Requirements and resources

Our cash requirements consist mainly of the following: (i) funding capital expenditures, including tenancy improvements and common and transformation works of buildings; (ii) funding operating activities, including our working capital needs; and (iii) servicing our indebtedness, including repayments of finance lease liabilities and payments of interest.

Our sources of liquidity have historically consisted mainly of the following: (i) cash generated from our operating activities, including cash provided by the payment of rents; and (ii) cash provided by the parent companies of PREI Portfolio Group through subordinated loans and current account.

Our future primary sources of liquidity will consist of the following: (i) cash generated from operating activities, including €4,315 thousand of net rental income in 2013 on the PREI Portfolio Group; (ii) a global rental guarantee amounting to €305 thousand on the Dubonnet Property, provided by the vendor in 2013; and (iii) a cash reserve of €750 thousand in order to finance works on the Dubonnet Property, provided by the vendor.

Liquidity risk

The PREI Portfolio Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. Prudent liquidity risk management involves maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The PREI Portfolio Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the general managers of PREI 2 and PREI 4, which Management Company is PREI Holding. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at the company level. Long term debt service projections are reviewed on a quarterly basis playing a key role in strategic decision-making for the PREI Portfolio Group's operation.

The table below summarizes the maturity profile of the PREI Portfolio Group's financial liabilities based on undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

(In € thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At September 30, 2012						
Interest-bearing loans and borrowings	—	29,189	—	—	—	29,189
Finance leases	—	491	1,539	17,236	10,576	29,842
Tenant deposits	—	—	—	210	587	797
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	9,857	—	—	—	9,857
	—	**39,537**	**1,539**	**17,446**	**11,163**	**69,685**

Liquidity Management

These interim combined financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of both PREI 2 and PREI 4 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

As of December 17, 2012 and January 20, 2013 respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder (International Investment Bank referred to as "IIB BSC") issued comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2013.

On July 11, 2012, the subordinated loan between IIB BSC and PREI 2 was amended to postpone the due date to July 10, 2013. On August 28, 2012, the subordinated loans between IIB France and PREI 2 and PREI 4 were renegotiated to extend the maturity date until December 31, 2013. On November 26, 2012, the subordinated loans between Inovalis and PREI 2 and PREI 4 were renegotiated to postpone the due date as of December 31, 2013.

On December 17, 2012, Inovalis also confirmed it will not ask for the payment of the fees due by PREI 2 and PREI 4 until the end of 2013.

Contractual Obligations

As of September 30, 2012, we had financial debt of €59,031 thousand (including €29,842 thousand of finance lease liabilities) compared to €58,467 thousand as of September 30, 2011 (including €31,705 thousand of finance lease liabilities).

The PREI Portfolio Group's material contractual obligations as at September 30, 2012 were as follows:

	Effective interest rate	Maturity	As at September 30, 2012	
(In € thousands)			**Current**	**Non current**
€ 7,254,000 subordinated loan	11%	31/12/2013	10,246	—
€ 48,000 subordinated loan	11%	31/12/2013	76	—
Total interest-bearing loans and borrowings			10,322	—
€ 21,646,000 finance lease liabilities	Euribor 3M + 1.05% Euribor 3M + 2.40%	13/01/2019	1,058	15,399
Total finance lease liabilities			1,058	15,399
PREI 4 – Building "Jeûneurs"			**11,380**	**15,399**
€ 10,478,000 subordinated loan	11%	31/12/2013	14,838	—
€ 462,000 subordinated loan	11%	31/12/2013	733	—
€ 2,236,000 subordinated loan	8.50%	10/07/2013	3,297	—
Total interest-bearing loans and borrowings			18,867	—
€ 16,061,000 finance lease liabilities	Euribor 3M + 1.20% Euribor 3M + 2.20%	16/10/2015	972	12,412
Total finance lease liabilities			972	12,412
PREI 2 – Building "Dubonnet"			**19,839**	**12,412**
Total interest-bearing loans and borrowings			**29,189**	**—**
Total finance lease liabilities			**2,030**	**27,811**
			31,219	**27,811**

Upon completion of the acquisition of both the Jeûneurs and the Dubonnet Property, subordinated loans of €9,490 thousand (€7,254 thousand for Jeûneurs and €2,236 thousand for Dubonnet), €10,478 thousand and €510 thousand (€48 thousand for Jeûneurs and €462 thousand for Dubonnet) were granted by IIB BSC, IIB France Investments Holding BSC (referred to as IIB France) and Inovalis, which are indirect parent companies of PREI Portfolio group, for the purpose of financing acquisitions. In 2008, a new subordinated loan of €2,410 thousand was incurred for the Dubonnet Property for financing common and transformation works, such as facade renovation and elevator transformation.

The ultimate shareholders agreed in 2012 to extend the initial maturities of the Subordinated loans due December 18, 2011 and June 30, 2012 to December 31, 2013 and July 10, 2013 (refer to "Liquidity management" in Note 13 – Financial risk management objectives and policies for the details of the renegotiation of the subordinated loans).

PREI 2 and PREI 4 did not pay their pending coupons on the subordinated loans for the years ended December 31, 2011, 2010 and 2009 and for the nine month period ended September 30, 2012. Due to the default of payment of the pending coupons, INOVALIS, IIB France Investments Holding BSC and IIB BSC could have asked for immediate reimbursement of the subordinated loans (the dates of the waivers obtained by PREI 2 and PREI 4 are presented in Note 14 – Transactions with related parties) and consequently, the subordinated loans have been presented as current regardless of the contractual due date.

Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases.

Typically in these leases: (i) lease terms are 12 years (starting October 16, 2003) and 15 years (starting January 14, 2004); (ii) the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable; and (iii) at the inception of the leases, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at September 30, 2012	
(In € thousands)	**Present value**	**Minimum lease payments**
Within 1 year	2,030	2,491
After 1 year, but not more than 5 years	17,236	18,799
More than 5 years	10,576	11,024
	29,842	**32,314**
Less : future interest costs		(2,472)
	29,842	**29,842**
Of which is non current	27,811	
Of which is current	2,030	
	29,842	

Capital Expenditures

The REIT intends to distribute a high percentage (90%) of its AFFO to Unitholders. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and maintenance capital. Capital requirements for loan principal payments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or subordinated loans. Capital expenditure commitments are reviewed and budgeted annually and financed out of working capital.

Capital expenditures include common works, transformation works, capital expenditures of co-ownership, special property expenditures, audit technical fees and legal fees. They also include tenancy improvements, which take place upon tenant changes. For a discussion of September 30, 2012 and 2011 capital expenditures, see "Cash flow from investing activities" above.

We do not have any commitments for capital expenditures as of the date of PREI Portfolio Group's last combined financial statements.

Off-Balance Sheet Arrangements

As at September 30, 2012, there were no significant changes in PREI Portfolio Group's off-balance sheet commitments since the last reporting period. See "Off-balance sheet arrangements" in the section "PREI Portfolio Group – For the Years Ended December 31, 2011, 2010 and 2009".

Transactions With Related Parties

PREI Portfolio Group's immediate parent company is "PREI Holding", which owns 100% of PREI 2 and PREI 4's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial period:

(Unless otherwise stated, all amounts are in € thousands)

September 30, 2012						
In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings
Amount of transaction						
Amount due to Inovalis	(477)	(43)	—	—	(2,870)	(809)
Amount due to Realista	(167)	—	—	—	(23)	—
Amount due to PREI Holding	—	—	4,228	(5,499)	—	—
Amount due to IIB BSC and IIB France	—	(1,646)	—	—	—	(28,380)

September 30, 2011						
In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings
Amount of transaction						
Amount due to Inovalis	(477)	(42)	—	—	(2,432)	(748)
Amount due to Realista	(139)	—	—	—	(101)	—
Amount due to PREI Holding	—	—	3,281	(5,357)	—	—
Amount due to IIB BSC and IIB France	—	(1,613)	—	—	—	(26,014)

Terms and conditions of transactions with related parties

Transactions with related parties are described in the unaudited Interim Combined Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012: (i) the financial terms and conditions of the comfort granted by the ultimate shareholders in their capacity as lenders are described in Note 13 – Financial risk management objectives and policies and Note 10 – Interest bearing loans and borrowings and finance lease liabilities; (ii) the financial terms and conditions of the waivers granted by Inovalis are described in Note 13 – Financial risk management objectives and policies; and (iii) currents accounts with PREI Holding are non-interest bearing.

Comfort letters were signed by the ultimate shareholders in their capacity as lenders to confirm that they will not ask for the payment of the subordinated loans and the pending interest payments. The table below summarizes for each subordinated loan the date of the signing of the comfort letter, years covered and the interest rates charged:

	Lender	Effective interest rate		
(In € thousands)		As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
€ 10,478,000 subordinated loan	IIB France	11%	11%	11%
€ 7,254,000 subordinated loan	IIB BSC	11%	11%	11%
€ 2,236,000 subordinated loan	IIB BSC	8.50%	8.50%	8.50%
Waivers				
Date of signature and year covered		May 13, 2012	May 15, 2011	May 15, 2011
		As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
€ 462,000 subordinated loan	Inovalis	11%	11%	11%
€ 48,000 subordinated loan	Inovalis	11%	11%	11%
Waivers				
Date of signature and year covered		March 8, 2012	April 29, 2011	April 29, 2011

The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, PREI 2 and PREI 4 (associates of Inovalis) both signed with Luxco (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, PREI2 and PREI 4 and Luxco have renewed their engagement to sell and to purchase the investment properties through six amendments.

Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration equal to 0.9% plus 0.1% of the value of the managed property (determined at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration equal to 0.2% of the value of the managed property (determined at the date of inception of the agreement) plus an additional fee equal to 2% of all cash collected in its capacity as property manager.

The strategic fees are included in "Administration expenses" in the interim combined income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the interim combined balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budgets and business plans, making settlements included in the annual budget and business plans and contracting with third parties.

The property management fee is included in "Other property operating expense" in the interim combined income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the interim combined balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of critical accounting estimates that we apply under IFRS is provided in Note 1 of combined financial statements for the nine months ended September 30, 2012 and 2011.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is described in Note 1 of combined financial statements for the nine months ended September 30, 2012 and 2011.

Financial Instruments and Other Instruments

The Group has entered into an interest rate swap with notional amounts of € 21,646 thousand whereby it receives a variable rate of interest based on Euribor 3M and pays a fixed rate of interest at 4.80% on the notional amount. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans.

As at September 30, 2011, the aggregate fair value of the interest rate swap and options was a liability of € 177 thousand.

As at September 30, 2012 and December 31, 2011, all hedging contracts expired.

Subsequent Events

On May 2, 2012, PREI 2 and PREI 4 signed with Luxco a bilateral promise of sale of the lease contracts held. The sale of lease contracts under which investments properties are held by PREI 2 and PREI 4 (and of the related lease contracts with tenants) was authorized by the lessors of the finance leases on March 19, 2013 and March 15, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorized by a resolution of the sole shareholder on April 23, 2012. Since May 2, 2012, PREI2 and PREI 4 and Luxco have renewed their agreement to sale and to purchase the investment properties through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to the last amendment, parties are bound to their promises until April 30, 2013.

As mentioned in Note 13 – Financial risk management objectives and policies, as of December 17, 2012 and January 20, 2013, respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder (IIB BSC) have been provided with comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2013.

A tax audit of PREI 2 conducted by the French Tax Authority on fiscal years 2009, 2010 and 2011 started in October 2012 and is still in progress.

Hanover Property

Overview

WEL 6 which is a legal entity, is comprised of the Hanover Property, which is located in Germany and consists of 124,076 square feet (11,527 square meters) of office space. It is currently 100% occupied by Facility Services Hannover GmbH, which is a fully-owned subsidiary of Sparkasse Hannover, a savings and loan bank which operates a network of over 100 branches in the city of Hanover.

WEL 6 functional reporting currency is the Euro. The financial statements for the years ended December 31, 2011, 2010 and 2009 and for the nine months ended September 30, 2012 and 2011 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board (IASB) as of December 31, 2011.

The combined financial statements have been prepared solely in connection with the Offering, as a method of presenting historical property information relating thereto. The financial statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these rental properties.

Selected Financial Information

(Unless otherwise stated, all amounts are in € thousands)

	Nine months ended September 30		Year ended December 31		
	2012	**2011**	**2011**	**2010**	**2009**
Net Rental Income	907	927	1,283	1,301	1,291
Net Profit/Loss	703	(1,176)	(1,121)	1,356	(771)
Weighted Average Occupancy Rate (in %)					
Hanover Property	*100%*	*100%*	*100%*	*100%*	*100%*
Weighted Average Rental Value per Square Meter (in €)					
Hanover Property	*88*	*88*	*105*	*105*	*114*
Fair Value of Investment Property					
Hanover Property	*20,445*	*19,823*	*19,821*	*20,728*	*19,635*
Total Assets	20,833	20,193	20,223	21,181	20,165
Total Current Liabilities	6,471	6,443	6,396	6,266	6,672
Total Liabilities	24,458	24,575	24,550	24,388	24,728

Net Rental Income

Net Rental Income corresponds to rental income plus service charge income, less service charge expenses and other property operating expenses. Net rental income is mainly impacted by the occupancy rate, the entrance or the departure of tenants and the annual rent indexation. Changes in net rental income are explained below in the section "Results of Operations".

Weighted Average Occupancy Rate

Weighted Average Occupancy Rate corresponds to the average percentage of all rental units occupied or rented during the period. The Hanover Property is fully occupied by a single tenant.

Weighted Average Rental Value Per Square Meter

Weighted Average Rental Value Per Square Meter corresponds to the average market value of a property while rented out divided per rented square meters. Changes in weighted average rental value per square meter are mainly attributable to changes in market value and changes in occupancy rate or rented square meters.

Fair Value of Investment Property

Fair Value of Investment Property corresponds to the estimated amount for which the property would sell unconditionally for cash consideration on the date of valuation. Changes to the fair value of investment property are mainly attributable to a variety of factors, including occupancy rate, rent free incentives, rental value per square meter and general building-condition, and to market factors, such as estimated rental value and equivalent yield. For the nine-months ended September 30, 2012, Fair Value of Investment Property is based on the purchase price of the applicable property pursuant to the German Purchase Agreement.

Total Assets

Total Assets include current and non-current assets. There were no significant changes in total assets of the WEL 6.

Total Current Liabilities

Total Current Liabilities mainly consisted of current borrowings and trade payables. There were no significant changes in current liabilities of the WEL 6.

Total Liabilities

Total Liabilities include current and non-current liabilities. There were no significant changes in total liabilities of the WEL 6.

Hanover Property – For the Years Ended December 31, 2011, 2010 and 2009

The following discusses the financial condition and results of operations of the historical information relating to the WEL 6 for the years ended December 31, 2011, 2010 and 2009. This information should be read in conjunction with the audited WEL 6 financial statements for the years ended December 31, 2011, 2010 and 2009.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the WEL 6 for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the WEL 6 will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

There was no significant event that have had a material effect on the WEL 6 for the year ended December 31, 2011, 2010 and 2009.

Results of Operations

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010

(Unless otherwise stated, all amounts are in € thousands)

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010
(Unless otherwise stated, all amounts are in € thousands)

In € thousands	Year ended December 31, 2011	2010	Variation €	%
Rental income	1,350	1,351	(1)	(0.1)%
Service charge income	107	53	54	101.9%
Service charge expense	(93)	(49)	(44)	89.5%
Other property operating expense	(81)	(54)	(27)	50.0%
Net rental income	**1,283**	**1,301**	**(18)**	**(1.4)%**
Administration expenses	(72)	(89)	17	(19.1)%
Valuation gains (losses) from completed investment property	(1,148)	1,093	(2,241)	N/A
Operating profit (loss)	**63**	**2,305**	**(2,242)**	**(97.2)%**
Finance income	0	285	(285)	(100.0)%
Finance costs	(1,185)	(1,233)	48	(3.9)%
Finance income (loss)	**(1,185)**	**(948)**	**(237)**	**24.9%**
Profit (loss) before taxes	**(1,121)**	**1,357**	**(2,478)**	**N/A**
Income tax expense	0	0	0	N/A
Profit (loss) for the year	**(1,121)**	**1,356**	**(2,477)**	**N/A**

Net rental income

During the year ended December 31, 2011 as compared to the same period in 2010, rental income remained stable, at €1,350 thousand in the year ended December 31, 2011. The Hanover Property was fully occupied by the same tenant during both periods. During the year ended December 31, 2011 as compared to the same period in 2010, service charge expense increased by €44 thousand or 89.5% as a consequence of the renewal of the lease in 2011. Service charge income increased by €54 thousand in line with service charge expense. Net rental income decreased slightly by €18 thousand in the year ended December 31, 2011 as compared to the same period in 2010.

Administration expenses

During the year ended December 31, 2011 as compared to the same period in 2010, administration expenses decreased by €17 thousand or 19.1%.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2011, valuation losses from completed investment property amounted to €1,148 thousand. This loss was due to a negative change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from market deterioration in 2011.

Finance income (loss)

During the year ended December 31, 2011 as compared to the same period in 2010, finance loss increased by €237 thousand or 24.9%, from a €948 thousand loss in the year ended December 31, 2010 to a €1,185 thousand loss in the year ended December 31, 2011. This increase was partly due to a €285 thousand increase of finance income between the year ended December 31, 2009 and the year ended December 31, 2010, resulting from a decrease in interest rate of subordinated loan from 8% in 2009 to 2% in 2010 with a retroactive effect on January 1st, 2009. Finance costs decreased by €48 thousand primarily due to a positive net change in the fair value of financial instruments.

Income tax expense

No income tax expense has been recorded during the years ended December 31, 2011 and 2010.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009
(Unless otherwise stated, all amounts are in € thousands)

In € thousands	**Year ended December 31,**		**Variation**	
	2010	**2009**	**€**	**%**
Rental income	1,351	1,350	1	0.1%
Service charge income	53	47	7	12.8%
Service charge expense	(49)	(52)	3	(5.3)%
Other property operating expense	(54)	(54)	(1)	1.5%
Net rental income	**1,301**	**1,291**	**10**	**0.8%**
Administration expenses	(89)	(119)	30	(25.3)%
Valuation gains (losses) from completed investment property	1,093	(169)	1,262	N/A
Operating profit (loss)	**2,305**	**1,004**	**1,302**	**129.7%**
Finance income	285	0	(285)	N/A
Finance costs	(1,233)	(1,775)	542	(30.5)%
Finance income (loss)	**(948)**	**(1,775)**	**827**	**(46.6)%**
Profit (loss) before taxes	**1,357**	**(771)**	**2,128**	**N/A**
Income tax expense	0	0	0	N/A
Profit (loss) for the year	**1,356**	**(771)**	**2,127**	**N/A**

Net rental income

During the year ended December 31, 2010 as compared to the same period in 2009, rental income remained stable at €1,351 thousand. The Hanover Property was fully occupied by the same tenant during both periods. During the year ended December 31, 2010 as compared to the same period in 2009, service charge income slightly increased by €7 thousand while service charge expense slightly decreased by €3 thousand. Net rental income increased slightly by €10 thousand in the year ended December 31, 2010 as compared to the same period in 2009 as a result of the increase in service charge income.

Administration expenses

During the year ended December 31, 2010 as compared to the same period in 2009, administration expenses decreased by €30 thousand or 25.3% as a result of a decrease in other general and administrative expense.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2010 valuation gains from completed investment property amounted to €1,093 thousand. This gain was due to a positive change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from market improvement in 2010 (equivalent yield of the Hanover Property decreased from 5.80% in the year ended December 31, 2009 to 5.50% in the year ended December 31, 2010).

Finance income (loss)

During the year ended December 31, 2010 as compared to the same period in 2009, finance losses decreased by €827 thousand or 46.6%. This decrease was partly due to a €285 thousand increase in finance income resulting from a decrease in the interest rate of subordinated loans from 8% in 2009 to 2% in 2010 with a retroactive effect on January 1st, 2009. In addition, finance costs decreased by €542 thousand, due to a decrease in the interest rate on equity loans starting in the year ended December 31, 2010 (the interest rate remained at 1.0% in 2010 and 2011) and to a positive net change in the fair value of financial instruments.

Income tax expense

No income tax expense was recorded during the years ended December 31, 2010 and 2009.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has not been presented as the WEL 6 did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

WEL 6 expects to have sufficient funds to meet all of its obligations as they become due. WEL 6 expects to have sufficient liquidity as a result of the following sources:

Cash flow from operating activities

Net cash provided by operating activities increased by €605 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and decreased by €564 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €1,071 thousand inflow in 2009 to a €507 thousand inflow in 2010, and to a €1,113 thousand inflow in 2011.

For the year ended December 31, 2011, our net cash provided by operating activities was positively impacted by cash flow from operations of €970 thousand and the positive cash impact of working capital requirements of €142 thousand.

For the year ended December 31, 2010, our net cash provided by operating activities was positively impacted by the cash flow from operations amounting to €1,211 thousand and the negative cash impact of working capital requirements amounting to €703 thousand.

For the year ended December 31, 2009, our net cash provided by operating activities was positively impacted by cash flow from operations of €1,172 thousand and the negative cash impact of working capital requirements amounting to €101 thousand.

Cash flow from investing activities

We did not use cash in investing activities in the years ended December 31, 2011 and 2010. In the year ended December 31, 2009, we had a €348 thousand cash inflow provided by investing activities which was entirely attributable to the recovery of the lessee loan in 2009.

Cash flow from financing activities

Net cash used in financing activities increased by €305 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and decreased by €429 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €1,178 thousand outflow in 2009 to a €748 thousand outflow in 2010 and to a €1,053 thousand outflow in 2011. Financing activities in the year ended December 31, 2011 entirely consisted of the payment of financial interest on equity loans and financial leases for €1,053 thousand. Financing activities in the year ended December 31, 2010 and 2009 consisted entirely of the payment of financial interest on equity and financial leases for €806 thousand and €1,521 thousand, respectively, and of proceeds from borrowings for €58 thousand and €343 thousand, respectively. The €343 thousand proceeds from borrowings resulted from the issuance of a complementary loan in order to finance tenancy improvements in the building. There was no repayment of finance lease liabilities as the repayment will start in 2013 according to the finance lease contract.

Liquidity

As of December 31, 2011, we had net cash and cash equivalents of €249 thousand compared to €190 thousand as of December 31, 2010 and to €431 thousand as of December 31, 2009. See "Liquidity" in the section "Hanover Property (WEL 6) – For the Nine Months Ended September 30, 2012 and 2011" for a description of liquidity requirements and resources.

Contractual Obligations

As of December 31, 2011, we had financial debt of €21,761 thousand (including €16,554 thousand of finance lease liabilities) compared to €21,628 thousand as of December 31, 2010 (including €16,554 thousand of finance lease liabilities) and to €21,764 thousand as of December 31, 2009 (including €16,554 thousand of finance lease liabilities). See "Contractual obligations" in the section "Hanover Property (WEL 6) – For the Nine Months Ended September 30, 2012 and 2011" for a detailed presentation of financial debt.

Capital Expenditures

There were no capital expenditures within the period considered.

During the year 2013, the REIT expects to have a net cash outflow of €60 thousand, relating to the acquisition and reimbursement of part of the acquisition costs of the Hanover Property, directly received from the vendor, with a guaranteed cash reserve.

Off-Balance Sheet Arrangements

As at December 31, 2011, 2010 and 2009, there were no off balance sheet commitments.

Transactions With Related Parties

WEL 6 immediate parent company is "EURO ELYSEES 2", which owns 100% of WEL 6 shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

	December 31, 2011						
In € thousands	**Fees**	**Interest**	**Intercompany account (assets)**	**Intercompany account (liabilities)**	**Trade payable**	**Loans and borrowings**	**Finance lease liabilities**
Amount of transaction							
Amount due to Inovalis	(46)	(6)	—	—	(167)	(615)	—
Amount due to Euro Elysées 2	—	(1)	—	(14)	—	—	—
Amount due to Inovalis Asset Management	(124)	—	—	—	(292)	—	—
Amount due to Wel 3 (Associate)	—	—	—	—	—	—	—
Amount due to Podes 3 (Associate)	—	(953)	—	—	(129)	—	(16,554)

In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings	Finance lease liabilities
	December 31, 2010						
Amount of transaction							
Amount due to Inovalis	(43)	25	—	—	(100)	(610)	—
Amount due to Euro Elysées 2	—	(2)	—	(36)	—	—	—
Amount due to Inovalis Asset Management	(40)	—	—	—	(5)	—	—
Amount due to Wel 3 (Associate)	—	—	142	—	—	—	—
Amount due to Podes 3 (Associate)	—	(953)	—	—	(220)	—	(16,554)

In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings	Finance lease liabilities
	December 31, 2009						
Amount of transaction							
Amount due to Inovalis	(29)	(41)	—	—	(50)	(577)	—
Amount due to Euro Elysées 2	—	(5)	—	(294)	—	—	—
Amount due to Inovalis Asset Management	(40)	—	—	—	(6)	—	—
Amount due to Wel 3 (Associate)	—	—	—	—	—	—	—
Amount due to Podes 3 (Associate)	—	(953)	—	—	(28)	—	(16,554)

Terms and conditions of transactions with related parties

Transactions with related parties are described in the Financial Statements for the years ended December 31, 2011, 2010 and 2009: (i) the financial terms and conditions of the comfort and waivers granted by its ultimate shareholder to Wel 6 are described in Note 16 – Financial risk management objectives and policies; (ii) the financial terms and conditions of the financing arrangements are described in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities; and (iii) the financial terms and conditions of the finance lease arrangement with PODES 3 are described in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities and Note 15 – Finance lease liabilities. Podes 3 is a subsidiary of Inovalis and the lessor of the investment property held by Wel 6 under the finance lease.

Comfort letters were signed to confirm that Inovalis (and AUDI SARADAR concurrently) will not ask for the payment of the subordinated loans and the pending coupons until the end of December, 2013. The table below summarizes for each subordinated loan the date of signing of the comfort letter, years covered and the interest rates charged:

(In € thousands)	Lender	Effective interest rate 2011	2010	2009
As at December 31,				
€ 4,252,000 subordinated loan	AUDI SARADAR	1%	1%	2%
Waivers				
Date of signature and year covered		May 20, 2011		
		2011	2010	2009
As at December 31,				
€ 680,000 subordinated loan	Inovalis	1%	1%	2%
Waivers				
Date of signature and year covered		April 29, 2011	April 16, 2011	

Outstanding balances at the year-end are unsecured, and settlement occurs in cash. WEL 6 did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Prior to the closing of the offering, Wel 6 (subsidiary of Inovalis) and the German SPV (associate of Inovalis) will enter into a letter of intent for the transfer of the lease contract and tenants portfolio.

Fees

Fees paid to Inovalis and Inovalis Asset Management ("**IAM**", a subsidiary of Inovalis) consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration equal to 0.15% of the value of the managed property (determined as of the date of inception of the agreement) in its consideration of services rendered in it capacity as strategic counsel. IAM is entitled to an annual remuneration equal to 0.05% of the value of the managed property (determined as of the date of inception of the agreement).

The strategic fees are included in "Administration expenses" in the income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the income statements. Strategic fees compensate for services which consist of preparing and updating annual budgets and business plans, making settlements included in the annual budget and business plans and contracting with third parties.

The property management fee is included in the "Other property operating expense" in the income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of the critical accounting estimates and policies that we apply under IFRS is provided in Note 2 of WEL 6 financial statements for the years ended December 31, 2011, 2010 and 2009.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is described in Note 3 of WEL 6 financial statements for the years ended December 31, 2011, 2010 and 2009.

Financial Instruments and Other Instruments

Wel 6 has entered into interest rate swap and collar with notional amounts of €16,554 thousand (2010: €16,554 thousand and 2009: €16,554 thousand). The conditions are described in the table below:

Beginning of the period	End of the period	Leg 1	Leg 2
01/04/2008	30/06/2013	Fixed leg 4.86%	Variable leg EURIBOR 3M
30/06/2013	30/06/2015	Collar 3.5% < EURIBOR 3M < 5%	

The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans.

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of €1,600 thousand (2010: €1,567 thousand and 2009: €1,501 thousand).

Subsequent Events

The ultimate shareholder (Inovalis) and AUDI SARADAR, both in their capacity as lenders, agreed on November 6, 2012 and April 18, 2012 respectively to reduce interest rates of the subordinated loans to nil starting January 1, 2012.

On December 17, 2012, the ultimate shareholder (Inovalis) and lender (AUDI SARADAR) issued comfort letters in order to support the business model of Wel 6 until the end of December 2013.

On March 5, 2012 Wel 6 signed a Memorandum of Understanding that organized the potential sale of the property. On April 6, 2012, a resolution of the sole shareholder of Wel 6 authorized the sale of the Hanover property held under lease contract. In connection with this Memorandum of Understanding, prior to the closing of the offering, Wel 6 and the German SPV will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio. The sale of the lease contract will also be authorized by the lessor of the finance lease prior to the closing of the offering (subject to specific engagements to be taken by the vendors and the acquirer). The sale's conditions are as follows: the lease, the related swap and the tenant portfolio are to be transferred based on the bargain price of the investment property less the carrying value of the finance lease liability on the actual date of transfer.

Hanover Property – For the Nine Months Ended September 30, 2012 and 2011

The following discusses the financial condition and results of operations of the historical information relating to the WEL 6 for the nine months ended September 30, 2012 and 2011. This information should be read in conjunction with the audited WEL 6 financial statements for the nine months ended September 30, 2012 and 2011.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing WEL 6 for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of WEL 6 will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

There were no significant events that had a material effect on the WEL 6 for the nine months ended September 30, 2012 and 2011.

Results of Operations

Results of Operations – Nine months Ended September 30, 2012 Compared to Nine months Ended September 30, 2011
(Unless otherwise stated, all amounts are in € thousands)

	Nine months ended September 30,		Variation	
In € thousands	**2012**	**2011**	**€**	**%**
Rental income	1,013	1,014	(1)	(0.1)%
Service charge income	45	39	6	15.4%
Service charge expense	(69)	(64)	(6)	9.0%
Other property operating expense	(81)	(61)	(20)	32.6%
Net rental income	**907**	**927**	**(20)**	**(2.2)%**
Administration expenses	(63)	(69)	6	8.7%
Valuation gains (losses) from completed investment property	644	(1,153)	1,797	N/A
Operating profit (loss)	**1,488**	**(295)**	**1,783**	**N/A**
Finance income	37	0	37	N/A
Finance costs	(823)	(880)	58	(6.5)%
Finance income (loss)	**(786)**	**(880)**	**95**	**(10.7)%**
Profit (loss) before taxes	**703**	**(1,175)**	**1,877**	**N/A**
Income tax expense	0	0	(12)	N/A
Profit (loss) for the year	**703**	**(1,176)**	**1,878**	**N/A**

Net rental income

During the nine months ended September 30, 2012 as compared to the same period in 2011, rental income remained stable at €1,013 thousand. The Hanover Property was fully occupied by the same tenant during both periods. During the nine months ended September 30, 2012 as compared to the same period in 2011, service charge expenses increased slightly by €6 thousand, from €64 thousand in the nine months ended September 30 2011, to €69 thousand in the nine months ended September 30, 2012. Service charge income increased by €6 thousand, from €39 thousand in the nine months ended September 30, 2011, to €45 thousand in the nine months ended September 30, 2012. Net rental income decreased by €20 thousand in the nine months ended September 30, 2012 as compared to the same period in 2011.

Administration expenses

During the nine months ended September 30, 2012 as compared to the same period in 2011, administration expenses decreased slightly by €6 thousand from €69 thousand in the nine months ended September 30 2011, to €63 thousand in the nine months ended September 30, 2012

Valuation gains (losses) from completed investment property

For the nine months ended September 30, 2012, valuation gains from completed investment property amounted to €644 thousand. This gain was due to a positive change in the fair value of completed investment property performed by accredited independent valuators, resulting mainly from market improvement in 2012.

Finance income (loss)

During the nine months ended September 30, 2012 as compared to the same period in 2011, finance losses decreased by €95 thousand or 10.7%, primarily due to a positive net change in the fair value of financial instruments.

Income tax expense

No income tax was recorded during the nine months ended September 30, 2012 and 2011.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has not been presented as the WEL 6 did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

WEL 6 expects to have sufficient funds to meet all of its obligations as they become due. WEL 6 expects to have sufficient liquidity as a result of the sources set out below:

Cash flow from operating activities

Net cash provided by operating activities decreased by €202 thousand, from a €810 thousand inflow in the nine months ended September 30, 2011 to a €608 thousand inflow in the nine months ended September 30, 2012.

For the nine months ended September 30, 2012, our net cash provided by operating activities was positively impacted by cash flow from operations of €865 thousand and the negative cash impact of working capital requirements amounting to €257 thousand.

For the nine months ended September 30, 2011, net cash provided by operating activities was positively impacted by cash flow from operations of €609 thousand and the positive cash impact of working capital requirements of €201 thousand.

Cash flow from investing activities

We did not use cash in investing activities in the nine months ended September 30, 2012 and 2011.

Cash flow from financing activities

Net cash used in financing activities decreased by €29 thousand, from a €778 thousand outflow for the nine months ended September 30, 2011 to a €749 thousand outflow for the nine months ended September 30, 2012. This increase resulted from an increase in net financial interest paid as a whole.

Liquidity

As of September 30, 2012, we had net cash and cash equivalents of €108 thousand compared to €222 thousand as of September 30, 2011.

Requirements and resources

Our cash requirements consist mainly of the following: (i) funding capital expenditures, including tenancy improvements and common and transformation works of buildings; (ii) funding operating activities, including our working capital needs; and (iii) servicing our indebtedness, including repayments of finance lease liabilities and payments of interest.

According to the finance lease contract, we do not repay finance lease liabilities before 2013.

Our sources of liquidity have historically consisted mainly of the following: (i) cash generated from our operating activities, including cash provided by the payment of rents; and (ii) cash provided by the parent companies of WEL 6 through intercompany loans.

The future primary sources of liquidity will consist of cash generated from operating activities, including €1,262 thousand of net rental income in 2013 on the WEL 6.

Liquidity risk

Liquidity risks inherent to the financial structure and business of WEL 6 mainly managed through quarterly updates short term cash flow forecasts (which have been prepared for the next twelve months) and by updates to the three to five year business plans. WEL 6 objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

WEL 6 liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the general manager at company level. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports.

Long term debt service projections are reviewed on a quarterly basis playing a key role in the strategic decisions for the operation.

The table below summarizes the maturity profile of WEL 6 financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

(In € thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At September 30, 2012						
Loans and borrowings	—	5,270	—	—	—	5,270
Finance leases	—	—	130	2,562	13,862	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,563	—	1,563
Trade and other payables	—	1,070	—	—	—	1,070
	—	**6,340**	**130**	**4,125**	**13,862**	**24,458**

Liquidity management

These interim financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of Wel 6 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

At the beginning of 2012, Wel 6 renegotiated with its ultimate shareholder (INOVALIS) and lender (AUDI SARADAR) to obtain more flexibility on liquidity. INOVALIS and AUDI SARADAR first agreed to sign comfort letters on March 8, 2012 and March 15, 2012 to confirm that they will not ask for the payment of the subordinated loans and the pending coupons during 2012. INOVALIS concurrently waived the payments of its management fees due by Wel 6 until December 31, 2012. Inovalis Assets Management ("IAM") also waived its rights on the payments of the outstanding management fees due by Wel 6 until Wel 6 gains a profit from the sale of the managed property.

INOVALIS and AUDI SARADAR agreed on November 6, 2012 and April 18, 2012, respectively, to reduce interest rates of the subordinated loans to nil starting January 1, 2012.

Comfort letters to support the business model of Wel 6 until the end of 2013 have been signed.

Contractual Obligations

As of September 30, 2012, we had financial debt of €21,825 thousand (including €16,554 thousand of finance lease liabilities) compared to €21,761 thousand as of December 31, 2011 (including €16,554 thousand of finance lease liabilities).

WEL 6 material contractual obligations as at September 30, 2012 were as follows:

	Effective interest rate	Maturity	As at September 30, 2012	
(In € thousands)			**Current**	**Non current**
€ 4,252,000 subordinated loan	0%	28/01/2013	4,655	—
€ 680,000 subordinated loan	0%	24/01/2015	615	—
Loans and borrowings			5,270	—
€ 16,554,000 finance lease liabilities	Euribor 3M + 82BP	01/04/2023	130	16,424
Total finance lease liabilities			130	16,424
WEL 6 – Building "Hanover"			**5,401**	**16,424**

Upon completion of the acquisition of the Hanover Property, a subordinated loan of €4,932 thousand was granted by Inovalis, the ultimate parent company, and Audi Saradar an indirect parent company of WEL 6, for the purpose of financing the acquisition.

AUDI SARADAR agreed on July 7, 2010 and April 18, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%). INOVALIS concurrently agreed on July 7, 2010 and November 6, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%).

Wel 6 did not pay its pending coupons on the subordinated loans for years ended December 31, 2011 and 2010 and for the nine month period ended September 30, 2012 and partially paid them for year ended December 31, 2009. Due to the default of payment of the pending coupons, the investors could have asked for immediate reimbursement of the subordinated loans (dates of the waivers obtained by Wel 6 are presented in Note 13 – Transactions with related parties) and consequently the subordinated loans have been presented as current whatever the contractual due date.

Floating rates of finance lease liabilities have been hedged by derivatives instruments (refer to Note 14 – Derivative financial instruments).

Finance lease liabilities

Wel 6 acquired a leasehold property that it classifies as investment property. The lease is accounted for as a finance lease. In this lease: (i) the lease term is 15 years (starting July 1, 2008); (ii) the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable; and (iii) at the inception of the lease, Wel 6 as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

The Hanover Property is under a finance lease contract with the following present value and minimum lease payments:

(In € thousands)	As at September 30, 2012	
	Present value	Minimum lease payments
Within 1 year	130	1,084
After 1 year, but not more than 5 years	2,562	6,089
More than 5 years	13,862	17,635
	16,554	**24,808**
Less : future interest costs		(8,253)
	16,554	**16,554**

Capital Expenditures

There were no capital expenditures within the period considered. We do not have any commitments for capital expenditures as of the date of WEL 6 last financial statements.

Off-Balance Sheet Arrangements

As at September 30, 2012, there were no significant changes in WEL 6 off-balance sheet commitments since the last reporting period. See "Off-balance sheet arrangements" in the section "Hanover Property (WEL 6) – For the Years Ended December 31, 2011, 2010 and 2009".

Transactions With Related Parties

WEL 6 immediate parent company is "EURO ELYSEES 2", which owns 100% of WEL 6 shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(Unless otherwise stated, all amounts are in € thousands)

September 30, 2012							
In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings	Finance lease liabilities
Amount of transaction							
Amount due to Inovalis	(33)	—	—	—	(178)	(615)	—
Amount due to Euro Elysées 2	—	—	66	(9)	—	—	—
Amount due to Inovalis Asset Management	(87)	(11)	—	—	(300)	—	—
Amount due to WEL 1 (Associate)	—	—	61	(83)	—	—	—
Amount due to WEL 3 (Associate)	—	—	—	—	—	—	—
Amount due to Podes 3 (Associate)	—	(716)	—	—	(96)	—	(16,554)

September 30, 2011							
In € thousands	Fees	Interest	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowings	Finance lease liabilities
Amount of transaction							
Amount due to Inovalis	(33)	(4)	—	—	(130)	(614)	—
Amount due to Euro Elysées 2	—	(1)	—	(14)	—	—	—
Amount due to Inovalis Asset Management	(87)	—	—	—	(282)	—	—
Amount due to WEL 1 (Associate)	—	—	5	—	—	—	—
Amount due to WEL 3 (Associate)	—	(713)	20	—	—	—	—
Amount due to Podes 3 (Associate)	—	—	—	—	(182)	—	(16,554)

Terms and conditions of transactions with related parties

Transactions with related parties are described in the unaudited Interim Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012: (i) the financial terms and conditions of the comfort and waivers granted by its ultimate shareholder to Wel 6 are described in Note 12 – Financial risk management objectives and policies; (ii) the financial terms and conditions of the financing arrangements set up are described in Note 9 – Loans and borrowings and finance lease liabilities; and (iii) the financial terms and conditions of the finance lease arrangement with PODES 3 are described in Note 9 – Loans and borrowings and finance lease liabilities and Note 11 – Finance lease liabilities. PODES 3 is a subsidiary of Inovalis and the lessor of the investment property hold by WEL 6 under finance lease.

Comfort letters were signed to confirm that Inovalis (and AUDI SARADAR concurrently) will not ask for the payment of the subordinated loans and the pending coupons until the end of December 2013. The table below summarizes for each subordinated loan the date of the signing of the comfort letter, years covered and the interest rates charged:

	Lender	**Effective interest rate**		
(In € thousands)		**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
As at December 31,				
€ 4,252,000 subordinated loan	AUDI SARADAR	0%	1%	1%
Waivers				
Date of signature and year covered		March 15, 2012	May 20, 2011	May 20, 2011
		As at September 30, 2012	**As at December 31, 2011**	**As at September 30, 2011**
As at December 31,				
€ 680,000 subordinated loan	Inovalis	0%	1%	1%
Waivers				
Date of signature and year covered		March 8, 2012	April 29, 2011	April 29, 2011

Outstanding balances at the end of the period are unsecured and settlement occurs in cash. WEL 6 did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Prior to the closing of the offering, WEL 6 (subsidiary of Inovalis) and the German SPV (subsidiary of Inovalis) will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio.

Fees

Fees paid to Inovalis and IAM consist of strategic fees and property management fees. Inovalis is entitled to receive a remuneration equal to 0.15% of the value of the managed property (determined as of the date of inception of the agreement) in consideration of services rendered in it capacity as strategic counsel. IAM is entitled to an annual remuneration equal to 0.05% of the value of the managed property (determined as of the date of inception of the agreement).

The strategic fees are included in "Administration expenses" in the interim income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the interim balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plan to investors, making the settlements included in the annual budget and business plan and contracting with third parties.

The property management fee is included in the "Other property operating expense" in the interim income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of critical accounting estimates that we apply under IFRS is provided in Note 1 of WEL 6 financial statements for the nine months ended September 30, 2012 and 2011.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is described in Note 1 of WEL 6 financial statements for the nine months ended September 30, 2012 and 2011.

Financial Instruments and Other Instruments

WEL 6 has entered into interest rate swap with notional amounts of € 16,554 thousand, € 16,554 thousand, and € 16,554 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively. The conditions are described in the table below:

Beginning of the period	End of the period	Leg 1	Leg 2
01/04/2008	30/06/2013	Fixed leg 4.86%	Variable leg EURIBOR 3M
30/06/2013	30/06/2015	Collar 3.5% < EURIBOR 3M < 5%	

The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans.

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of € 1,563 thousand, € 1,600 thousand, and € 1,578 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively.

Subsequent Events

The ultimate shareholder (Inovalis), in its capacity as lender, agreed on November 6, 2012 to reduce interest rates of the subordinated loans to nil starting January 1, 2012 (the lender AUDI SARADAR similarly agreed earlier in 2012).

As of December 17, 2012, ultimate shareholder (Inovalis) and lender (AUDI SARADAR) have provided comfort letters in order to support the business model of Wel 6 until the end of December 2013.

On March 5, 2012 Wel 6 signed a “Memorandum of Understanding” that organized the potential sale of the property. On April 6, 2012 a resolution of the sole shareholder of Wel 6 authorized the sale of the Hanover property held under lease contract. In connection with this Memorandum of Understanding prior to the closing of the offering, Wel 6 and the German SPV will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio. The sale of the lease contract will also be authorized by the lessor of the finance lease prior to the closing of

the offering (subject to specific engagements to be taken by the vendors and the acquirer). The sale's conditions are as follows: the lease, the related swap and the tenant portfolio are to be transferred based on the bargain price of the investment property less the carrying value of the finance lease liability on the actual date of transfer.

Vanves Property (HAWAZ Portfolio Group)

Overview

HAWAZ Portfolio Group, which is a legal entity, is composed of the Vanves Property, which is located in Paris, France and consists of 258,675 square feet (24,031 square meters) of office space. The Vanves Property is leased to four tenants and is currently 94% occupied.

HAWAZ Portfolio Group's functional reporting currency is the Euro. The financial statements for the years ended December 31, 2011, 2010 and 2009 and for the nine months ended September 30, 2012 and 2011 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board (IASB) as of December 31, 2011.

The combined financial statements have been prepared solely in connection with the Offering, as a method of presenting historical property information relating thereto. The financial statements present the assets as if they had been owned by one entity and depict the historical investment in the properties and include the assets, liabilities, revenues, and operating expenses associated with owning these rental properties.

Selected Financial Information

	Nine months ended September 30		**Year ended December 31**		
(Unless otherwise stated, all amounts are in € thousands)	**2012**	**2011**	**2011**	**2010**	**2009**
Net Rental Income	4,118	3,887	5,133	5,545	5,711
Net Profit/Loss	(766)	(1,083)	(760)	2,445	(2,697)
Weighted Average Occupancy Rate (in %)					
Vanves Property	*94%*	*94%*	*94%*	*94%*	*100%*
Weighted Average Rental Value per Square Meter (in €)					
Vanves Property	*205*	*225*	*268*	*298*	*238*
Fair Value of Investment Property					
Vanves Property	*75,546*	*78,679*	*78,665*	*81,681*	*80,964*
Total Assets	84,571	85,348	85,680	86,426	84,606
Total Current Liabilities	21,042	19,727	20,095	18,062	18,109
Total Liabilities	69,679	70,013	70,023	70,008	70,633

Net Rental Income

Net Rental Income corresponds to rental income plus service charge income, less service charge expenses and other property operating expenses. Net rental income is mainly impacted by the occupancy rate, the entrance or the departure of tenants and the annual rent indexation. Changes in net rental income are explained below in the section "Results of Operations".

Weighted Average Occupancy Rate

Weighted Average Occupancy Rate corresponds to the average percentage of all rental units occupied or rented during the period. The weighted average occupancy rate decreased from the year ended December 31, 2009 (100%) to the year ended December 31, 2010 (94%), mainly due to the departure of the tenant FRANCE 3.

Weighted Average Rental Value Per Square Meter

Weighted Average Rental Value Per Square Meter corresponds to the average market value of a property while rented out divided per rented square meters. Changes in weighted average rental value per square meter are mainly attributable to changes in market value and changes in occupancy rate or rented square meters.

Fair Value of Investment Property

Fair Value of Investment Property is determined by accredited independent valuators and corresponds to the estimated amount for which a property would sell unconditionally for cash consideration on the date of valuation. Changes to the fair value of investment property are mainly attributable to a variety of factors, including occupancy rate, rent free incentives, rental value per square meter and general building-condition, and to market factors, such as estimated rental value and equivalent yield. For the nine-months ended September 30, 2012, Fair Value of Investment Property is based on the purchase price of the property pursuant to the Assignment Agreement without taking into account the value of the Vendor Leases and the fact that the Vendor will be responsible for the property's capital expenditures.

Total Assets

Total Assets include current and non-current assets. There were no significant changes in total assets.

Total Current Liabilities

Total Current Liabilities mainly consisted of current borrowings and trade payables. There were no significant changes in current liabilities.

Total Liabilities

Total Liabilities include current and non-current liabilities. There were no significant changes in total liabilities.

Vanves Property (HAWAZ Portfolio Group) – For the Years Ended December 31, 2011, 2010 and 2009

The following discusses the financial condition and results of operations of the historical information relating to the HAWAZ Portfolio Group for the years ended December 31, 2011, 2010 and 2009. This information should be read in conjunction with the audited HAWAZ Portfolio Group carve-out financial statements for the years ended December 31, 2011, 2010 and 2009.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the HAWAZ Portfolio Group for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the HAWAZ Portfolio Group will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

The following data represents transactions and events that have had a material effect on the HAWAZ Portfolio Group and are expected to affect the results in the future.

Changes in Lease Contracts

On January 1, 2009, the tenant FRANCE 3 began a lease of 1,250 square meters in the building. On July 31, 2010, FRANCE 3 vacated the building. On May 11, 2011, the tenant NTN-SNR Roulements renewed its lease for 226 square meters.

Capital Expenditures

During the year ended December 31, 2009, we built emergency exits at the Vanves Property. During the year ended December 31, 2010, we began the renovation of the elevators and other tenancy improvements at the Vanves Property. During the year ended December 31, 2011, we completed the renovation of the elevators and other tenancy improvements at the Vanves Property.

Results of Operations

Results of Operations – Year Ended December 31, 2011 Compared to December 31, 2010

In € thousands	Year ended December 31,		Variation	
	2011	**2010**	**€**	**%**
Rental income	5,541	5,803	(262)	(4.5)%
Service charge income	1,639	1,408	231	16.4%
Service charge expense	(1,754)	(1,382)	(372)	26.9%
Other property operating expense	(294)	(284)	(10)	3.4%
Net rental income	**5,133**	**5,545**	**(413)**	**(7.4)%**
Administration expenses	(945)	(869)	(76)	8.8%
Valuation gains (losses) from completed investment property	(2,731)	1,137	(3,868)	N/A
Operating profit (loss)	**1,456**	**5,814**	**(4,357)**	**(74.9)%**
Finance income	52	5	48	94%
Finance costs	(2,125)	(1,945)	(180)	9.3%
Finance income (loss)	**(2,073)**	**(1,940)**	**(133)**	**6.8%**
Profit (loss) before taxes	**(616)**	**3,874**	**(4,490)**	**N/A**
Income tax expense	(144)	(1,428)	1,284	(89.9)%
Profit (loss) for the year	**(760)**	**2,445**	**(3,205)**	**N/A**

Net rental income

During the year ended December 31, 2011 as compared to the same period in 2010, rental income decreased by €262 thousand or 4.5%. This decrease was mainly due to France 3 having vacated the property on July 31st, 2010. During the year ended December 31, 2011 as compared to the same period in 2010, service charge income increased by €231 thousand or 16.4% in line with the increase in service charge expenses. Service charge expenses increased by €372 thousand or 26.9%, as a result of renovation costs for elevators and a higher office tax rate. Net rental income decreased by €412 thousand or 7.4% in the year ended December 31, 2011 as compared to the same period in 2010, mainly as a result of the increase in service charge expense by €372 thousand.

Administration expenses

During the year ended December 31, 2011 as compared to the same period in 2010, administration expenses increased by €76 thousand or 8.8% primarily due to higher other general and administrative expenses.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2011, valuation losses from completed investment property amounted to €(2,731) thousand. This loss was due to a negative change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from market deterioration in 2011.

Finance income (loss)

During the year ended December 31, 2011 as compared to the same period in 2010, finance losses increased by €133 thousand or 6.8%, mainly due to a €212 thousand increase in financial lease interest as a result of a higher variable interest rate in 2011, which is based on the three-month Euribor rate. The exposure of the HAWAZ Portfolio Group secured loan to the variable interest rate is hedged by an interest rate cap at 5.10% (see "Financial Instruments and Other Instruments" section below). In the year ended December 31, 2011 and 2010, the three-months Euribor rate was below 5.10%.

Income tax expense

During the year ended December 31, 2011 as compared to the same period in 2010, income tax improved by €1,284 thousand, from an expense of €1,428 thousand in the year ended December 31, 2010 to an expense of €144 thousand in the year ended December 31, 2011. Income tax is entirely composed of deferred taxes.

Results of Operations – Year Ended December 31, 2010 Compared to December 31, 2009

In € thousands	Year ended December 31,		Variation	
	2010	**2009**	**€**	**%**
Rental income	5,803	6,151	(348)	(5.7)%
Service charge income	1,408	1,285	123	9.6%
Service charge expense	(1,382)	(1,471)	89	(6.1)%
Other property operating expense	(284)	(254)	(31)	12.0%
Net rental income	**5,545**	**5,711**	**(166)**	**(2.9)%**
Administration expenses	(869)	(924)	55	(6.0)%
Valuation gains (losses) from completed investment property	1,137	(5,716)	6,853	N/A
Operating profit (loss)	**5,814**	**(929)**	**6,742**	**N/A**
Finance income	5	95	(90)	(95.0)%
Finance costs	(1,945)	(2,887)	942	(32.6)%
Finance income (loss)	**(1,940)**	**(2,792)**	**852**	**(30.5)%**
Profit (loss) before taxes	**3,874**	**(3,720)**	**7,594**	**N/A**
Income tax expense	(1,428)	1,024	(2,452)	N/A
Profit (loss) for the year	**2,445**	**(2,697)**	**5,141**	**N/A**

Rental income

During the year ended December 31, 2010 as compared to the same period in 2009, rental income decreased by €348 thousand or 5.7%. This decrease was primarily due to a reduction in HAWAZ Portfolio Group's average rent indexation, and also to the departure of a tenant. During the year ended December 31, 2010 as compared to the same period in 2009, service charge income increased by €123 thousand or 9.6%, primarily due to the renovation costs of elevators that were recharged to tenants starting in 2010. Service charge expense decreased by €89 thousand or 6.1% as renovation costs for elevators had not yet been incurred in the year ended December 31, 2010. Net rental income decreased by €166 thousand or 2.9% in the year ended December 31, 2010 as compared to the same period in 2009, mainly as a result of a decrease in rental income of €348 thousand.

Administration expenses

During the year ended December 31, 2010 as compared to the same period in 2009, administration expenses decreased by €55 thousand or 6.0%.

Valuation gains (losses) from completed investment property

For the year ended December 31, 2010, valuation gains from completed investment property amounted to €1,137 thousand. This gain was due to a positive change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from market improvement in 2010.

Finance income (loss)

During the year ended December 31, 2010 as compared to the same period in 2009, finance loss decreased by €852 thousand or 30.5% mainly due to a decrease in the interest on finance leases, following the increase in the principal amount of the finance lease resulting in a decrease of interests' share in repayments year by year.

Income tax expense

During the year ended December 31, 2010 as compared to the same period in 2009, income tax decreased by €2,452 thousand from an income of €1,024 thousand in the year ended December 31, 2009 to an expense of €1,428 thousand in the year ended December 31, 2010. Income tax is entirely composed of deferred taxes.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – *Management's Discussion & Analysis*, quarterly information has not been presented as the HAWAZ Portfolio Group did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

HAWAZ Portfolio Group expects to have sufficient funds to meet all of its obligations as they become due. HAWAZ Portfolio Group expects to have sufficient liquidity as a result of the sources set out below:

Cash flow from operating activities

Net cash provided by operating activities increased by €1,085 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and by €309 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €4,174 thousand inflow in 2009 to a €4,483 thousand inflow in 2010, and to a €5,568 thousand inflow in 2011.

For the year ended December 31, 2011, our net cash provided by operating activities is positively impacted by cash flow from operations of €4,902 thousand and the positive cash impact of working capital requirements of €666 thousand.

For the year ended December 31, 2010, our net cash provided by operating activities was positively impacted by cash flow from operations of €5,336 thousand and the negative cash impact of working capital requirements of €853 thousand, mainly due to a €1,080 thousand decrease in trade and other payables. This decrease is primarily attributable to a rent advance made by France Telecom, which paid its 2010 first quarter rent in the fourth quarter of 2009.

For the year ended December 31, 2009, our net cash provided by operating activities was positively impacted by cash flow from operations of €4,371 thousand and the negative cash impact of working capital requirements of €197 thousand.

Cash flow from investing activities

Net cash used in investing activities increased by €142 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and increased by €41 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €195 thousand outflow in 2009 to a €236 thousand outflow in 2010, and to a €378 thousand outflow in 2011.

Cash used in investing activities in the year ended December 31, 2011, 2010 and 2009 comprised capital expenditures. In the year ended December 31, 2011 and 2010, capital expenditures were mainly comprised of the renovation of elevators. In the year ended December 31, 2009, capital expenditures were mainly comprised of building emergency exits.

Cash flow from financing activities

Net cash used in financing activities increased by €298 thousand in the year ended December 31, 2011 as compared to the same period in 2010 and decreased by €639 thousand in the year ended December 31, 2010 as compared to the same period in 2009, from a €3,493 thousand outflow in 2009 to a €2,855 thousand outflow in 2010, and a €3,153 thousand outflow in 2011.

Our financing activities in the year ended December 31, 2011 and 2010 consisted of finance lease liabilities repayment for €2,008 thousand and €1,846 thousand, respectively, and in payment of financial interest for €1,145 thousand and €1,008 thousand, respectively. Our financing activities in the year ended December 31, 2009 consisted of finance lease liabilities repayment for €1,694 thousand, payment of financial interest on equity loans and finance leases for €2,294 thousand and proceeds from borrowings for €495 thousand, granted by Alpha Investment, the direct parent company of HAWAZ Portfolio Group.

Changes in interest paid from one year to another are attributable to the changes in interest rate of financial instruments. Until December 31, 2009, financial leases were hedged by a floor of 2.55%. From January 1, 2010, the finance lease rate was a variable rate based on the three-month Euribor rate, hedged by a Cap as explained in the "Financial Instruments and Other Instruments" section below.

Liquidity

As of December 31, 2011, we had net cash and cash equivalents of €5,932 thousand compared to €3,894 thousand as of December 31, 2010 and to 2,501 thousand as of December 31, 2009. See "Liquidity" in the section "Vanves Property (HAWAZ Portfolio) – For the Nine Months Ended September 30, 2012 and 2011" for a description of requirements and resources in liquidity.

Contractual Obligations

As of December 31, 2011, we had financial debt of €57,109 thousand (including €42,577 thousand of finance lease liabilities) compared to €58,153 thousand as of December 31, 2010 (including €44,584 thousand of finance lease liabilities) and to €59,110 thousand as of December 31, 2009 (including €46,431 thousand of finance lease liabilities). See "Contractual obligations" in the section "Vanves Property (HAWAZ Portfolio Group) – For the Nine Months Ended September 30, 2012 and 2011" for a detailed presentation of financial debt.

Capital Expenditures

The REIT intends to distribute a high percentage (90%) of its AFFO to Unitholders. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and maintenance capital. Capital requirements for loan principal payments, acquisitions and redevelopments are generally sourced by financing for each project through mortgages and/or subordinated loans. Capital expenditure commitments are reviewed and budgeted annually and financed out of working capital. The REIT may also raise additional capital to the extent Unitholders participate in the REIT's DRIP.

Capital expenditures include common works, transformation works, special property expenditures, audit technical fees and legal fees. They also include tenancy improvements, which take place at every tenant change.

For a discussion of 2011, 2010 and 2009 capital expenditures, see "Cash flow from investing activities" above. We do not have any commitments for capital expenditures as of the date of HAWAZ Portfolio Group's last carve-out financial statements.

Off-Balance Sheet Arrangements

Off-Balance Sheet arrangements given

The HAWAZ Portfolio Group's off-balance sheet arrangements as at December 31, 2011, 2010 and 2009 were as follows:

	December 31		
In € thousands	**2011**	**2010**	**2009**
Pledge of sums standing to the credit of the current bank account in favor of lessors	nil	nil	nil
Pledge of the lessee loan in favor of lessors	4,526	5,446	6,366
HAWAZ – "Vanves" Building	**4,526**	**5,446**	**6,366**

Off-balance sheet commitments given by the Hawaz Portfolio Group are fully intended for its two lessors, GENEFIM and ASSURBAIL.

According to the finance lease agreement Hawaz also assigned its current and future sublease rental receivables (Daily law).

Off-Balance Sheet arrangements received

The HAWAZ Portfolio Group's off-balance sheet arrangements received as at December 31, 2011, 2010 and 2009 were as follows:

In € thousands	December 31 2011	2010	2009
Bank guarantees securing tenants' rental payments	1,207	1,192	1,260
HAWAZ – "Vanves" Building	**1,207**	**1,192**	**1,260**

Banks of all tenants who occupy properties managed by HAWAZ Portfolio Group have given a guarantee to HAWAZ Portfolio Group for the payment of rents.

Transactions With Related Parties

HAWAZ Portfolio Group's immediate parent company is "Alpha Investment", which owns 100% of HAWAZ Portfolio Group's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

December 31, 2011

In € thousands	Fees	Interest	Finance income from cash agreement	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowing $
Amount of transaction							
Amount due to Inovalis	(881)	—	—	—	—	(579)	—
Amount due to Realista	(283)	—	—	—	—	(50)	—
Amount due to Alpha Investment	—	(913)	51	99	(456)	—	(14,532)

December 31, 2010

In € thousands	Fees	Interest	Finance income from cash agreement	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowing $
Amount of transaction							
Amount due to Inovalis	(881)	—	—	—	—	(1,345)	—
Amount due to Realista	(296)	—	—	—	—	(46)	—
Amount due to Alpha Investment	—	(960)	—	94	—	—	(13,568)

December 31, 2009

In € thousands	Fees	Interest	Finance income from cash agreement	Intercompany account (assets)	Intercompany account (liabilities)	Trade payable	Loans and borrowing $
Amount of transaction							
Amount due to Inovalis	(881)	—	—	—	—	(1,166)	—
Amount due to Realista	(254)	—	—	—	—	(48)	—
Amount due to Alpha Investment	—	(978)	33	105	—	—	(12,679)

Terms and conditions of transactions with related parties

Transactions with related parties are described in the Carve-Out Financial Statements for the years ended December 31, 2011, 2010 and 2009:(i) the financial terms and conditions of the comfort granted by Alpha Investment in its capacity as shareholder and lender to Hawaz are described in Note 16 – Financial risk management objectives and policies; (ii) the financial terms and conditions of the waivers granted by Inovalis are described in Note 16 – Financial risk management objectives and policies; and (iii) the financial terms and conditions of the financing arrangements between Alpha Investment and Hawaz are described in Note 13 – Interest bearing loans and borrowings and finance lease liabilities.

The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, HAWAZ (an associate of Inovalis) signed with Luxco (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, HAWAZ and Luxco have renewed their engagement to sell and to purchase the investment properties through six amendments.

Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration equal to 1.1% plus 0.05% of the value of the managed property (determined as of the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration equal to 0.35% of the value of the managed property plus an additional fee of 2% of all cash collected in its capacity as property manager.

The strategic fees are included in "Administration expenses" in the carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the carve-out balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budgets and business plans, making settlements included in the annual budget and business plans and contracting with third parties.

The property management fee is included in "Other property operating expense" in the carve-out income statement and related payables and receivables are recorded in "Trade and other payables" in "Trade and other receivables" in the carve-out balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of critical accounting estimates that we apply under IFRS is provided in Note 2 of HAWAZ Portfolio Group's carve-out financial statements for the years ended December 31, 2011, 2010 and 2009.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is described in Note 1 of HAWAZ Portfolio Group's carve-out financial statements for the years ended December 31, 2011, 2010 and 2009.

Financial Instruments and Other Instruments

The Group entered into an interest rate cap with notional amounts of € 42,256 thousand (2010: € 44,242 thousand and 2009: € 46,069 thousand) whereby it receives payments corresponding to interest rates that exceed the agreed strike of 5.10%. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate finance lease liabilities. The cap is to expire as of December 31, 2012. The fair value of the interest cap as of December 31, 2011 was nil (2010: €16 thousand and 2009: € 62 thousand).

Subsequent Events

Subsequent to the year ended December 31, 2011, Hawaz and France Telecom (a tenant) have agreed to a renewal of the lease for a period of nine years (with a break option at the seventh year upon payment of an early termination compensation) and an annual amount of € 5,260 thousand with an aggregated rent free period of one year spread over the first three rental years.

On May 2, 2012, Hawaz signed with Luxco a bilateral promise of sale of the carve-out lease contracts held by Hawaz. The sale of the carved-out finance lease contracts under which investments properties are held by Hawaz and of the related lease contracts with tenants was authorized by the lessor of the finance lease on March 19, 2013 (subject to specific engagements to be taken by the vendor and the acquirer) and authorized by a resolution of the shareholder on April 23, 2012. Since May 2, 2012, Hawaz and Luxco have renewed their engagement to sell and to purchase through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013 respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

In December 2012 and February 2013, Hawaz's shareholder and the ultimate shareholders have provided comfort letters to Hawaz in order to support the business model until the end of December 2013 (refer to Note 16 –Financial risk management objectives and policies).

Vanves Property (HAWAZ Portfolio Group) – For the Nine Months Ended September 30, 2012 and 2011

The following discusses the financial conditions and results of operations of the historical information relating to the HAWAZ Portfolio Group for the nine months ended September 30, 2012 and 2011. This information should be read in conjunction with the audited HAWAZ Portfolio Group carve-out financial statements for the nine months ended September 30, 2012 and 2011.

The objective of this discussion is to provide a prospective purchaser with an analysis of the historical assets, liabilities, revenues, and operating expenses of owning and managing the HAWAZ Portfolio Group for the above-mentioned periods. With respect to certain forward-looking statements contained herein, see the ''Forward-Looking Information'' section included elsewhere in this prospectus. The results of operations, business prospects and financial condition of the HAWAZ Portfolio Group will be affected by certain risk factors described elsewhere in this prospectus. See ''Risk Factors''.

Significant Events

The following data represents transactions and events that have had a material effect on the HAWAZ Portfolio Group and are expected to affect the results into the future.

Capital Expenditures

During the year ended December 31, 2011 and the nine months ended September 30, 2012, we completed the renovation of the elevators on the Vanves Property.

Indebtedness

On July 2, 2012, we were reimbursed by the lessor for €808 thousand of the lessee loan for performing tenancy improvements in the building.

Results of Operations

Results of Operations – Nine months Ended September 30, 2012 Compared to Nine months Ended September 30, 2011

In € thousands	Nine months ended September 30,		Variation	
	2012	**2011**	**€**	**%**
Rental income	4,486	4,156	330	8.0%
Service charge income	1,220	1,260	(39)	(3.1)%
Service charge expense	(1,387)	(1,302)	(85)	6.5%
Other property operating expense	(202)	(227)	25	(11.0)%
Net rental income	**4,118**	**3,887**	**231**	**5.9%**
Administration expenses	(917)	(699)	(218)	31.2%
Valuation gains (losses) from completed investment property	(2,789)	(2,798)	9	(0.3)%
Operating profit (loss)	**412**	**390**	**22**	**5.7%**
Finance income	0	35	(35)	(100.0)%
Finance costs	(1,433)	(1,576)	143	(9)%
Finance income (loss)	**(1,433)**	**(1,541)**	**108**	**(7)%**
Profit (loss) before taxes	**(1,021)**	**(1,152)**	**130**	**(11.3)%**
Income tax expense	255	70	185	265.7%
Profit (loss) for the year	**(766)**	**(1,083)**	**317**	**(29.3)%**

Net rental income

During the nine months ended September 30, 2012 as compared to the same period in 2011, rental income increased by €330 thousand or 8.0% primarily due to an increase of the average rent indexation. During the nine months ended September 30, 2012 as compared to the same period in 2011, service charge income decreased slightly by €39 thousand or 3.1%. Service charge expense increased by €85 thousand or 6.5% due to the fact that certain tenancy improvements were expensed during the nine months ended September 30, 2011 while they are usually capitalized. During the nine months ended September 30, 2012 as compared to the same period in 2011, net rental income increased by €231 thousand or 5.9%, essentially as a result of the increase in rental income of €330 thousand.

Administration expenses

During the nine months ended September 30, 2012 as compared to the same period in 2011, administration expenses increased by €218 thousand or 31.2%, primarily due to transaction costs related to the transaction described in this prospectus.

Valuation gains (losses) from completed investment property

For the nine months ended September 30, 2012, valuation losses from completed investment property amounted to €2,789 thousand. This loss was due to a negative change in the fair value of completed investment property performed by accredited independent valuators, mainly resulting from the renewal of the current tenant lease which has not been taken into account in the valuation assumptions.

Finance income (loss)

During the nine months ended September 30, 2012 as compared to the same period in 2011, finance losses decreased by €108 thousand or 7.0% due to a decrease in interest on finance leases following the increase in the principal amount of the finance lease resulting in a decrease of interests' share in repayments year by year.

Income tax expense

During the nine months ended September 30, 2012 as compared to the same period in 2011, income tax improved by €185 thousand, from an income of €70 thousand in the nine months ended September 30, 2011 to an income of €255 thousand in the nine months ended September 30, 2012. Income tax is entirely composed of deferred taxes.

Summary of Quarterly Results

In accordance with Item 1.5 of Form 51-102F1 – Management's Discussion & Analysis, quarterly information has not been presented as the HAWAZ Portfolio Group did not previously prepare financial statements on a quarterly basis.

Liquidity and Capital Resources

HAWAZ Portfolio Group expects to have sufficient funds to meet all of its obligations as they become due. HAWAZ Portfolio Group expects to have sufficient liquidity as a result of the following sources:

Cash flow from operating activities

Net cash provided by operating activities decreased by €206 thousand, from an inflow of €3,640 thousand in the nine months ended September 30, 2011 to an inflow of €3,434 thousand in the nine months ended September 30, 2012.

For the nine months ended September 30, 2012, our net cash provided by operating activities was positively impacted by the cash flow from operations of €3,559 thousand and the negative cash impact of working capital requirements of €125 thousand.

For the nine months ended September 30, 2011, our net cash provided by operating activities was positively impacted by the cash flow from operations of €3,717 thousand and the negative cash impact of working capital requirements of €77 thousand, mainly due to a €912 thousand increase in trade and other receivables, partly offset by a €835 thousand increase in tenant deposits and trade and other payables, primarily attributable to an increase in the current-account with Alpha Investment, the direct parent company of HAWAZ Portfolio Group.

Cash flow from investing activities

Net cash used in investing activities decreased by €265 thousand, from €292 thousand outflow in the nine months ended September 30, 2011 to €27 thousand outflow in the nine months ended September 30, 2012. Our cash used in investing activities in the nine months ended September 30, 2012 and 2011 comprised capital expenditures as a whole and mainly comprised renovation of elevators.

Cash flow from financing activities

Net cash used in financing activities decreased by €750 thousand, from an outflow of €2,322 thousand for the nine months ended September 30, 2011 to an outflow of €1,571 thousand for the nine months ended September 30, 2012. Our financing activities in the nine months ended September 30, 2012 and 2011 consisted of finance lease liabilities repayment for €824 thousand and €1,484 thousand, respectively, and in payment of interest on equity loans and finance leases for €711 thousand and €838 thousand, respectively, and in repayment of borrowings for €37 thousand and €0, respectively. The repayment of finance lease of €824 thousand during the nine months ended September 30, 2012 was exceptionally lower because of the recovery of the lessee loan in 2012 for €808 thousand.

Liquidity

As of September 30, 2012, we had net cash and cash equivalents of €7,767 thousand compared to €4,920 thousand as of September 30, 2011.

Requirements and Resources

Our cash requirements consist mainly of the following: (i) funding capital expenditures, including tenancy improvements and common and transformation works of the building; and (ii) funding operating activities, including our working capital needs; and (iii) servicing our indebtedness, including essentially repayments of finance lease liabilities and payments of interest.

Our sources of liquidity have historically consisted mainly of the following: (i) cash generated from our operating activities, including cash provided by the payment of rents; and (ii) cash provided by Alpha Investment, the direct parent company through subordinated loans and current account.

Our future primary sources of liquidity will consist of the following: (i) cash generated from operating activities, including €5,947 thousand of net rental income in 2013 on HAWAZ Portfolio Group; (ii) a global rental guarantee of €2,023 thousand on the Vanves Property, provided over three years; and (iii) a cash reserve of €2,564 thousand in order to finance works on the Vanves Property, provided by the vendor Alpha Investment.

Liquidity Risk

The HAWAZ Portfolio Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. Prudent liquidity risk management involves maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The HAWAZ Portfolio Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Manager. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at the company level. Long term debt service projections are reviewed on a quarterly basis, and playing a key role in strategic decision-making for HAWAZ Portfolio Group's operation.

The table below summarizes the maturity profile of the HAWAZ Portfolio Group's financial liabilities based on contractual undiscounted payments. The amounts disclosed are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

(In € thousands)	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
At September 30, 2012						
Interest-bearing loans and borrowings	—	—	15,219	—	—	15,219
Finance leases	—	588	1,809	39,357	—	41,753
Tenant deposits	—	—	—	52	—	52
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,426	—	—	—	3,426
	—	**4,014**	**17,028**	**39,409**	**—**	**60,451**

Liquidity Management

These interim carve-out financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of Hawaz is managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

In December 2012 and February 2013, Hawaz's shareholder in its capacity as lender and the ultimate shareholders, in their capacity as ultimate lenders, issued comfort letters to Hawaz and its shareholder in order to support the business model until the end of December 2013: they confirmed they will not ask for the payment of the subordinated loans and the pending coupons.

In December 2012, Inovalis also confirmed it will not ask for the payment of the fees due by Hawaz until the end of December 2013.

Contractual Obligations

As of September 30, 2012, we had financial debt of €56,973 thousand (including €41,753 thousand of finance lease liabilities) compared to €57,391 thousand as of September 30, 2011 (including €43,100 thousand of finance lease liabilities).

The HAWAZ Portfolio Group's material contractual obligations as at September 30, 2012 were as follows:

	Effective interest rate	Maturity	As at September 30, 2012	
(In € thousands)			**Non current**	**Current**
€ 14,408,000 subordinated loan	8.25%	30/09/2015	—	15,219
Total interests-bearing loans and borrowings			—	15,219
€ 59,677,000 finance lease liabilities	Euribor 3M + 1.15%	02/12/2016	39,357	2,396
Total finance lease liabilities			39,357	2,396
Hawaz – "Vanves" Property			**39,357**	**17,616**

Upon completion of the acquisition of the Vanves Property, a subordinated loan of €14,408 thousand was granted by Alpha Investment, the direct parent company of HAWAZ Portfolio Group, for the purpose of financing the acquisition.

Hawaz did not pay its pending coupons on the subordinated loan for years ended December 31, 2011, 2010 and 2009 and the nine-month periods ended September 30, 2012 and 2011. Due to the default of payment of the pending coupons, the lender could have asked for immediate reimbursement of the subordinated loan and consequently the subordinated loan has been presented as current whatever the contractual due date.

Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property. The lease is accounted for as a finance lease. In this lease: (i) the lease term is 12 years (starting December 2, 2004); (ii) the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable; and (iii) at the inception of the lease, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at September 30, 2012	
(In € thousands)	**Present value**	**Minimum lease payments**
Within 1 year	2,396	2,996
After 1 year, but not more than 5 years	39,357	41,289
More than 5 years	—	
	41,753	**44,286**
Less : future interest costs		(2,533)
	41,753	**41,753**
Of which is non current	39,357	
Of which is current	2,396	
	41,753	

Capital Expenditures

The REIT intends to distribute a high percentage (90%) of its AFFO to Unitholders. As such, the REIT does not retain a material amount of operating cash flow to finance its capital requirements including loan principal payments, acquisitions, redevelopments, and maintenance capital. Capital requirements for loan principal payments, acquisitions and redevelopments are generally sourced by financing for each project through mortgages and/or subordinated loans. Capital expenditure commitments are reviewed and budgeted annually and financed out of working capital. The REIT may also raise additional capital to the extent Unitholders participate in the REIT's DRIP.

During the year 2013, the REIT expects to have a €1,740 thousand cash inflow, as a reimbursement directly received from the Vanves property, with a guaranteed cash reserve, of part of the cash outflow relating to the acquisition of the Vanves Property.

Capital expenditures include common works, transformation works, capital expenditures of co-ownership, special property expenditures, audit technical fees and legal fees. They also include tenancy improvements, which take place at every tenant change.

Off-Balance Sheet Arrangements

As at September 30, 2012, there were no significant changes in HAWAZ Portfolio Group's off-balance sheet commitments since the last reporting period. See "Off-balance sheet arrangements" in the section "Vanves Property (HAWAZ Portfolio Group) – For the Years Ended December 31, 2011, 2010 and 2009".

Transactions With Related Parties

HAWAZ Portfolio Group's immediate parent company is "Alpha Investment", which owns 100% of HAWAZ Portfolio Group's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

	September 30, 2012						
In € thousands	**Fees**	**Interest**	**Finance income from cash agreement**	**Intercompany account (assets)**	**Intercompany account (liabilities)**	**Trade payable**	**Loans and borrowing $**
Amount of transaction							
Amount due to Inovalis	(653)	—	—	—	—	(1,016)	—
Amount due to Realista	(129)	—	—	—	—	(36)	—
Amount due to Alpha Investment	—	(722)	—	86	(72)	—	(15,217)

	September 30, 2011						
In € thousands	**Fees**	**Interest**	**Finance income from cash agreement**	**Intercompany account (assets)**	**Intercompany account (liabilities)**	**Trade payable**	**Loans and borrowing $**
Amount of transaction							
Amount due to Inovalis	(661)	—	—	—	—	(1,352)	—
Amount due to Realista	(144)	—	—	—	—	(63)	—
Amount due to Alpha Investment	—	(723)	34	736	—	—	(14,291)

Terms and conditions of transactions with related parties

Transactions with related parties are described in the unaudited Interim Carve-Out Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012: (i) the financial terms and conditions of the comfort granted by Alpha Investment in its capacity as lender to Hawaz are described in Note 13 – Financial risk management objectives and policies; (ii) the financial terms and conditions of the waivers granted by Inovalis are described in Note 13 – Financial risk management objectives and policies; and (iii) the financial terms and conditions of the financing arrangements between Alpha Investment and Hawaz are described in Note 10 – Interest bearing loans and borrowings and finance lease liabilities.

The HAWAZ Portfolip Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, Hawaz (associate of Inovalis) signed with Luxco (a subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, Hawaz and Luxco have renewed their engagement to sell and to purchase the investment properties through six amendments.

Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration equal to 1.1% plus 0.05% of the value of the managed property (determined as of the

date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration equal to 0.35% of the value of the managed property plus an additional fee equal to 2% of all cash collected in its capacity as property manager.

The strategic fees are included in "Administration expenses" in the interim carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the interim carve-out balance sheets. Strategic fees compensate for services which consist in preparing and updating annual budget and business plan to investors, make the settlements included in the annual budget and business place and contracting with third parties.

The property management fee is included in "Other property operating expense" in the interim carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and "Trade and other receivables" in the interim carve-out balance sheets.

Proposed Transactions

No proposed acquisitions or dispositions exist.

Critical Accounting Estimates and Policies

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our financial results, financial condition and cash flows: (i) recognition of rental income and accounting for rent free incentives; (ii) accounting for deferred and income taxes; (iii) accounting for finance lease; (iv) valuation of investment property; and (v) valuation of derivative financial instruments.

A more detailed description of critical accounting estimates that we apply under IFRS is provided in Note 1 of HAWAZ Portfolio Group's carve-out financial statements for the nine months ended September 30, 2012 and 2011.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is described in Note 1 of HAWAZ Portfolio Group's carve-out financial statements for the nine months ended September 30, 2012 and 2011.

Financial Instruments and Other Instruments

Hawaz entered into an interest rate cap with notional amounts of € 40,661 thousand, € 42,256 thousand, and €42,774 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate finance lease liabilities. The cap is to expire as of December 31, 2012. Fair value of the cap is nil as at September 30, 2012 and December 31, 2011 (the strike price of the cap amounts to 5.10%).

Subsequent events

On May 2, 2012, Hawaz signed with Luxco a bilateral promise of sale of the carve-out lease contracts held by Hawaz. The sale of the carved-out finance lease contracts under which investments properties are held by Hawaz (including the related lease contracts with tenants) was authorized by the lessor of the finance lease on March 19, 2013 (subject to specific engagements to be taken by the vendor and the acquirer) and authorized by a resolution of the shareholder on April 23, 2012. Since May 2, 2012, Hawaz and Luxco have renewed their engagement to sell and to purchase through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

On October 1, 2012, Hawaz and France Telecom (a tenant) agreed to the renewal of the lease for a period of nine years (including a break option at the end of the seventh year).

In December 2012 and February 2013, Hawaz's shareholder and the ultimate shareholders issued comfort letters to Hawaz in order to support the business model until the end of December 2013 (refer to Note 13 – Financial risk management objectives and policies).

OUR STRUCTURE AND FORMATION

The REIT

The REIT was established as an unincorporated, open-ended real estate investment trust on February 8, 2013 under the laws of the Province of Ontario. From and after Closing, the REIT will be a "mutual fund trust" as defined in the Tax Act, but not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head and registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7. A copy of the Declaration of Trust can be obtained from us during the period of distribution of the Units and will be available following Closing on SEDAR at www.sedar.com.

According to the SIFT Rules, certain income earned by a SIFT is taxed as if it were a corporation and certain distributions received by unitholders of a SIFT are treated as taxable dividends. We will be exempt from the SIFT Rules as long as we comply at all times with our Investment Guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. See "Investment Guidelines and Operating Policies – Investment Guidelines". We do not rely on the exception afforded to real estate investment trusts under the Tax Act in order to be exempt from the SIFT Rules. As a result, we are not subject to the same restrictions on our activities as those which apply to Canadian real estate investment trusts that do rely on this exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property (as defined in the Tax Act), we are not subject to restrictions on our ownership by non-Canadian investors. See "Certain Canadian Federal Income Tax Considerations". If the SIFT Rules were to apply to us, they may have an adverse impact on us, including on the distributions received by Unitholders and the value of the Units. See "Risk Factors".

Formation Transactions

Prior to or concurrently with Closing, we will engage in the formation transactions described below, pursuant to which, among other things, we will acquire the French Leaseholds and the Hanover Leasehold in the Initial Properties from the French Inovalis Vehicles and the German Inovalis Vehicle, respectively. Following Closing, legal title to the Dubonnet Property will continue to be held by Genefim and Cicobail, legal title to the Jeûneurs Property will continue to be held by Credit Agricole Leasing & Factoring and BNP Paribas Leasing Solutions, legal title to the Vanves Property will continue to be held by Genefim and Assurbail and legal title to the Hanover Property will continue to be held by the Hanover Owner.

Pursuant to the Acquisition Agreements and the German Purchase Agreement (and other related agreements) that we have entered into or will enter into, the following steps will occur in connection with or shortly following the Closing:

1. The REIT will use the net proceeds of the Offering to purchase Luxco Notes, NIB Notes and Luxco Common Shares;
2. Inovalis will purchase the Exchangeable Securities consisting of approximately 10% of each of the Luxco Notes, NIB Notes and Luxco Common Shares;
3. Luxco will use the funds so received to capitalize, directly or indirectly, through the OPCI, the French SPVs and to acquire shares of, and then capitalize, the German SPV;
4. Each of the French SPVs will purchase the French Leaseholds in respect of one of the French Properties; and
5. The German SPV will purchase the Hanover Leasehold in respect of the German Property.

It is expected that the capitalization by Luxco, directly or indirectly, of the French SPVs will occur within a few days following Closing. In particular, the capitalization will require the subscription of equity in the OPCI and, under the regulatory requirements applicable to the OPCI, the funds must remain in the OPCI's bank account for a brief number of days prior to being released. The acquisition by the French SPVs of the French Leaseholds will not be completed until this occurs.

Consequences of the Offering and the Acquisition

The completion of the Offering and the Acquisition will have the following consequences:

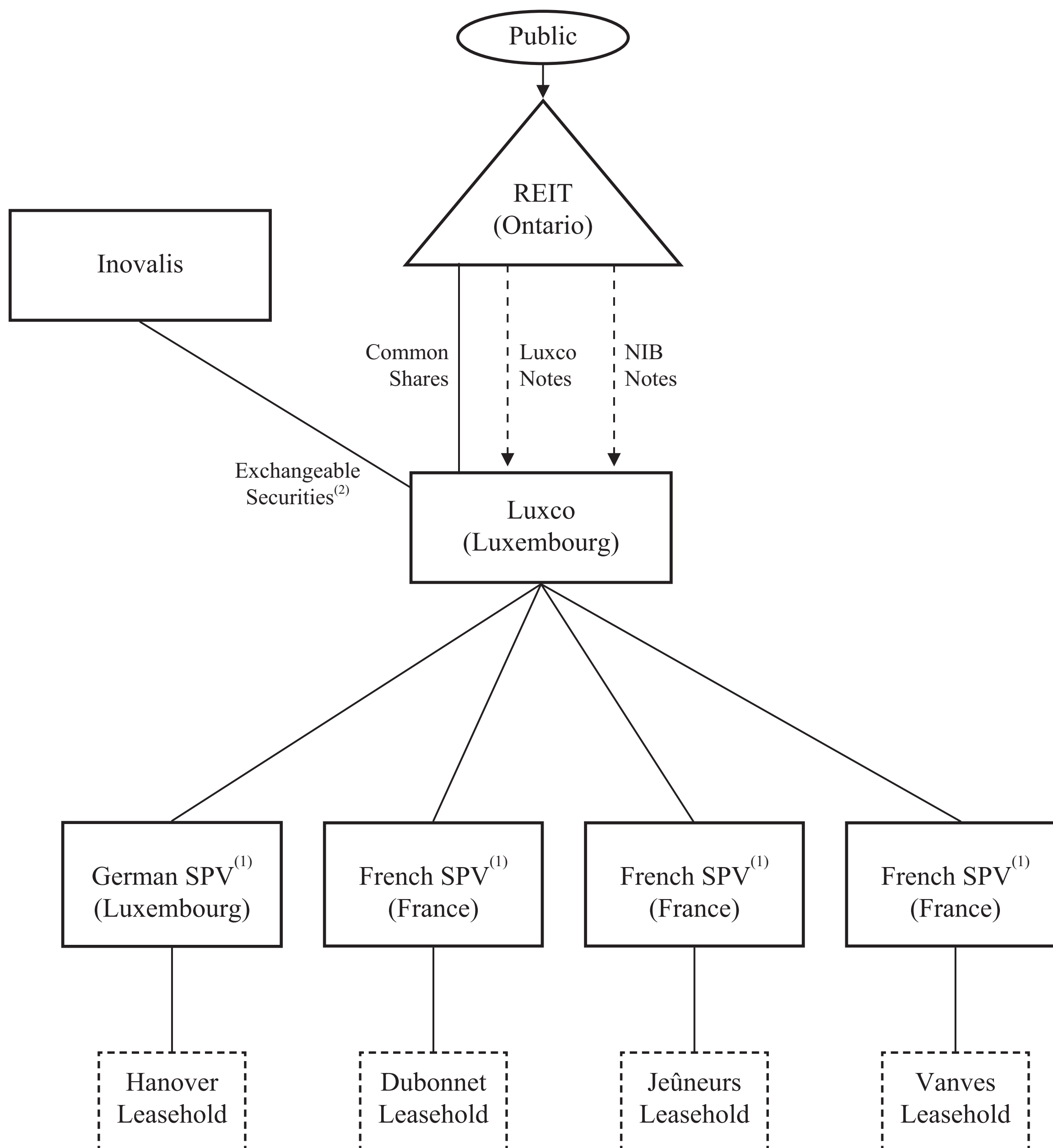
- Purchasers of Units will own approximately 90% of our outstanding Units on a fully-exchanged basis (including if the Over-Allotment Option is exercised in full) and Inovalis will own Exchangeable Securities representing an approximate 10% ownership interest in the REIT on a fully-exchanged basis (including if the Over-Allotment Option is exercised in full).
- Legal title to the Dubonnet Property will continue to be held by Genefim and Cicobail, legal title to the Jeûneurs Property will continue to be held by Credit Agricole Leasing & Factoring and BNP Paribas Leasing

Solutions, legal title to the Vanves Property will continue to be held by Genefim and Assurbail and legal title to the Hanover Property will continue to be held by the Hanover Owner. See “Our Structure and Formation – Formation Transactions” and “Acquisition of the Interest in the Initial Properties” above.

- We will indirectly own a leasehold interest in the Initial Properties through the French Leaseholds and the Hanover Leasehold, as applicable. See “Our Structure and Formation – Formation Transactions”.
- Inovalis will be our manager and will provide the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. See “Relationship with Inovalis – Management of the REIT”.

Simplified Organizational Structure

Upon completion of the Offering and the Acquisition, our simplified organizational structure will be as follows:



(1) The French SPVs are wholly-owned by Luxco indirectly through OPCI, whereas the German SPV is wholly-owned directly by Luxco. Luxco also owns interest-bearing notes of the French SPVs and the German SPV.

(2) Represents an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised).

RELATIONSHIP WITH INOVALIS

Inovalis

Inovalis' operational infrastructure is multi-national in scope, operating across both France and Germany with its head office in Paris. We believe that Inovalis has the experience required to acquire, redevelop, finance, operate, maintain and grow a diverse portfolio of commercial real estate across Western Europe. Inovalis has a broad network of relationships and financing experience that the REIT believes will allow it to successfully identify and close accretive acquisitions that are complementary to the REIT's portfolio. Inovalis was founded in 1998 and its principals have extensive experience in the asset and property management, development, financing, ownership and operation of commercial real estate properties in Western Europe.

The REIT will be managed and have access to a group of approximately 230 dedicated real estate professionals with expertise in a number of complementary disciplines in the real estate field, including: (i) finance and property management; (ii) acquisitions and redevelopments; (iii) strategic planning and marketing; (iv) financial reporting and public disclosure; and (v) legal and accounting.

Management of the REIT

Management Agreement

Pursuant to the Management Agreement, Inovalis will be the manager of the REIT and will provide the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT. For purposes of the Management Agreement, a reference to the REIT shall include its subsidiaries, as applicable.

In particular, in connection with the Management Agreement, Inovalis will: provide the services of a senior management team to the REIT; provide the services of administrative, management and executive personnel as is reasonably necessary; provide advisory, consultation and investment management services and monitor the financial performance of the REIT; advise the Trustees on strategic matters, including potential acquisitions, dispositions, financings, development and redevelopment; provide guidance to property managers on operating and capital expenditures; identify, evaluate, recommend, negotiate and assist in the structuring of acquisitions, dispositions and other transactions; advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors; make recommendations with respect to the payment of distributions; prepare business plans and annual budgets, implement such plans and budgets and report on the financial performance of the REIT; with cooperation from the REIT's Chief Financial Officer, establish and maintain disclosure controls and procedures and internal controls over financial reporting of the REIT; maintain the books and financial records of the REIT's properties and prepare reports, tax returns and other disclosure documents based on the maintenance of such books and records; assist the REIT with respect to investor relations strategies and activities, including compiling and preparing the materials required for those strategies and activities; advise the REIT with respect to regulatory compliance requirements, risk management policies and certain litigation matters; prepare all documents, reports, data and analysis required by the REIT for its filings and documents necessary for its continuous disclosure requirements pursuant to applicable stock exchange rules and securities laws; prepare all reports reasonably requested by the REIT, including operational reporting such as cash flow by property and by asset type, reports on development costs and executive summaries by asset type describing each of the REIT's properties; supervise and conduct all leasing services (including research to find potential tenants, contacting potential tenants, coordination of potential third-party brokers, negotiations with tenants and support in finalization of the leasing agreements); provide property management services (including through third parties); provide construction management services; supervise property expansions, capital projects and development and redevelopment projects for the REIT; and provide any additional services as may from time to time be agreed to in writing by the REIT and Inovalis for which Inovalis will be compensated on terms to be agreed upon between Inovalis and the REIT prior to the provision of such services.

Notwithstanding the foregoing, it may at times be prudent for Inovalis to delegate certain of its responsibilities under the Management Agreement to a third party provider. As a result, Inovalis will be entitled to subcontract certain of its obligations under the Management Agreement where it is appropriate to do so, provided that, unless otherwise

provided, such subcontracting is done at the expense of Inovalis and will not relieve Inovalis of its obligations or liability under the Management Agreement.

The services of Inovalis to be provided to the REIT pursuant to the Management Agreement will not be exclusive. Subject to the Right of First Opportunity, Inovalis and its affiliates will not be precluded from providing similar services to other clients or from engaging in other business activities, provided that Inovalis will not be permitted to act as manager, asset manager or promoter for another Canadian real estate investment trust.

The services to be provided by Inovalis to the REIT pursuant to the Management Agreement will be provided through a qualified senior management team employed by Inovalis. In particular, Inovalis will initially provide the services of David Giraud as Chief Executive Officer of the REIT and Khalil Hankach as Interim Chief Financial Officer and Secretary. See “Trustees and Executive Officers”. The senior management team employed by Inovalis will devote the amount of time as is necessary to appropriately manage the business and affairs of the REIT and its subsidiaries. In the event that any employee or contractor of Inovalis who is providing services to the REIT ceases to provide such services as a result of death, disability, resignation or termination (which termination is subject to the REIT’s consent), Inovalis will replace such individual with another employee or contractor of similar qualifications and experience, provided that, in the case of the Chief Executive Officer and Chief Financial Officer a majority of the Independent Trustees may terminate such employee as an officer of the REIT and determine a replacement.

Nothing in the Management Agreement will restrict the powers of the Board of Trustees. See “Trustees and Executive Officers – Governance and Board of Trustees”.

Management Fees

In performing its obligations under the Management Agreement, Inovalis will be entitled to receive the following fees from the relevant subsidiary of the REIT:

(a) An annual asset management fee (the “**Annual Asset Management Fee**”) in the amount of 0.75% of the Historical Gross Purchase Price of the REIT’s properties;

(b) A leasing fee (the “**Leasing Fee**”) in an amount equal to (i) 10% of the first year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first year annual rent for leases signed by new tenants, payable on the signing of a binding lease, extension, renewal or amending document; provided, that Inovalis is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;

(c) A construction management fee (the “**Construction Management Fee**”) payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project excluding work done on behalf of tenants or any maintenance capital expenditures;

(d) An acquisition fee (“**Acquisition Fee**”) in the amount of 0.50% of the purchase price of any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee will be payable in respect of the acquisition of properties managed by Inovalis; and

(e) An annual property management fee (the “**Property Management Fee**”) in an amount equal to 3.5% of the Gross Revenue of REIT’s properties, payable quarterly in arrears.

(the Annual Asset Management Fee, Leasing Fee, Construction Management Fee, Acquisition Fee and Property Management Fee are hereinafter collectively referred to as the “**Management Fees**”).

All Management Fees will be paid entirely in cash, except as follows;

- The Annual Asset Management Fee will be payable quarterly in arrears, entirely in Exchangeable Securities, subject to any required regulatory approvals. 50% of the Exchangeable Securities paid as part of the Annual Asset Management Fee will be subject to an escrow agreement (the “**Annual Asset Management Fee Escrow**”) pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.

- The Acquisition Fee will be paid 50% in cash and, subject to any required regulatory approvals, 50% in Exchangeable Securities upon completion of the applicable acquisition. All of such Exchangeable Securities will be subject to an escrow agreement (the "**Acquisition Fee Escrow**" and collectively with the Annual Asset Management Fee Escrow, the "**Fee Escrow**") pursuant to which the Exchangeable Securities will be immediately released from escrow upon termination of the Management Agreement for any reason, except in the case of internalization of the management of the REIT, in which case (i) one third of the Exchangeable Securities will be automatically released upon internalization of the REIT; and (ii) one third of the Exchangeable Securities will be released on the first and second anniversaries of the internalization of the REIT.

See "Retained Interest", "Plan of Distribution", "Relationship with Inovalis – Management of the REIT – Management Fees" and "Relationship with Inovalis – Internalization".

All of the Exchangeable Securities subject to the Fee Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable such Exchangeable Securities to participate in any change of control transaction. Inovalis will retain all ownership rights, including voting rights and rights to distributions, in respect of the Exchangeable Securities subject to the Fee Escrow. The Exchangeable Securities will be issued at a price equal to the VWAP for the five immediately preceding trading days.

In addition to the Management Fees, Inovalis will be reimbursed by the relevant subsidiary of the REIT for all reasonable and necessary actual out-of-pocket costs and expenses paid by Inovalis in connection with performance of services pursuant to the Management Agreement. Such costs and expenses include, but are not limited to, costs for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by Inovalis and approved by the relevant subsidiary of the REIT. For greater certainty, Inovalis will not be reimbursed for any overhead (including compensation paid to its employees) or other internal costs and expenses.

The Management Agreement will have a five-year term, subject to earlier termination or internalization (as described below).

The REIT will have the right to terminate the Management Agreement upon 30-days written notice in the event of material default (if such default is not cured within such period), event of insolvency of Inovalis (within the meaning of the Management Agreement) or if Inovalis commits an act of fraud.

Subject to its right to internalize management at any time, Inovalis will have the right to terminate the Management Agreement upon 180 days' prior written notice to the REIT.

The Management Agreement will be assignable by Inovalis to an affiliated entity as part of a corporate reorganization, provided that the level of service provided by the successor does not change and Inovalis will unconditionally guarantee the affiliate's performance of its obligations under the Management Agreement.

The aggregate number of Exchangeable Securities issuable to Inovalis as payment for the Annual Asset Management Fee and Acquisition Fee during the term of the Management Agreement (which may only expire upon the fifth anniversary of the date of Closing) will not be greater than the number of Units to be issued pursuant to this prospectus (being up to an additional 10,500,000 Units) provided that it is intended that upon the occurrence of each issue of Exchangeable Securities to Inovalis, the number of Exchangeable Securities to be issued to Inovalis as payment for the foregoing at such time shall not exceed 10% of then total issued and outstanding Units.

Internalization of REIT Management

Upon the earlier of (i) the REIT achieving a market capitalization of $750 million (including any Exchangeable Securities held by Inovalis) based on the VWAP over a 20-day trading period; and (ii) the fifth anniversary of the date of Closing, the Management Agreement will terminate and the management of the REIT will be internalized at no additional cost to the REIT. In addition, Inovalis has the right, in its sole discretion, to elect to internalize management at no cost to the REIT at any time. Notwithstanding the foregoing, upon termination of the Management Agreement due to any such internalization, certain services provided by Inovalis will not be internalized, including leasing services, property management services and construction management services on the basis that it would not be economical for the REIT to provide these services. For greater certainty, upon internalization of REIT management,

Inovalis may provide any additional services as may from time to time be agreed upon in writing by the REIT and Inovalis for which Inovalis will be compensated on terms to be agreed upon between the parties prior to the provision of such services.

Right of First Opportunity

On Closing, the REIT and Inovalis will enter into an agreement whereby Inovalis will grant to the REIT the Right of First Opportunity which shall continue for the term of the Management Agreement. Pursuant to the Right of First Opportunity, Inovalis will not, directly or indirectly:

(a) purchase, finance the purchase of, or make any investment in any property that meets the Investment Criteria of the REIT (a "**Restricted Investment**") unless such Restricted Investment has first been offered to the REIT (on terms no less favourable than those subsequently offered to a third party) and the REIT has declined to purchase such property; or

(b) sell an ownership interest in a property managed or owned by Inovalis, which property constitutes a Restricted Investment, unless: (i) the Restricted Investment has first been offered to the REIT (on terms no less favourable than those subsequently offered to a third party) and the REIT has declined to purchase such property or (ii) if the owner of such property requires the property to be sold through an auction process, the REIT has been provided with a right of first refusal to acquire such property.

In addition, Inovalis will use commercially reasonable efforts to ensure that any new management agreement, or any amendment to an existing management agreement, entered into with respect to a Restricted Investment from time to time, will permit the foregoing.

Notwithstanding the foregoing, the following will be deemed not to be a Restricted Investment and will therefore not be subject to the Right of First Opportunity:

(a) any interest in any public entity that represents less than a 10% fully-diluted interest in such entity;

(b) any interest in any entity or a portfolio of assets, in each case that contains Restricted Investments that comprise less than 25% of the asset value of such entity or portfolio;

(c) any activity related to any Restricted Investment that is (i) first offered to the REIT in accordance with the restrictions above, or (ii) subject to any of the other exceptions in (a), (b) and (d); and

(d) any other exception approved by the Independent Trustees from time to time (and the Independent Trustees shall be required to act reasonably in responding to any request for an exception).

Ongoing Retained Interest

Upon the acquisition by the REIT of properties managed by Inovalis at any time following Closing and prior to the termination of the Management Agreement, Inovalis shall, concurrently with the closing of such acquisition and subject to regulatory approval, subscribe for that number of Exchangeable Securities (i) having an aggregate value equal to approximately 10% of the equity portion of the purchase price of such properties, and (ii) that are exchangeable into that number of Units as is equal to such approximate 10% equity portion divided by the VWAP of the Units for the five trading days prior to the closing date of the applicable acquisition (each an "**Ongoing Retained Interest**"). Each Ongoing Retained Interest will be subject to a three-year escrow commencing on the closing date of the applicable acquisition (the "**Ongoing Retained Interest Escrow**"), after the expiry of which the Ongoing Retained Interest will be automatically released from escrow. During the Ongoing Retained Interest Escrow, Inovalis will be restricted from selling an Ongoing Retained Interest that has not yet been released from the Ongoing Retained Interest Escrow, but will retain all ownership rights. Each Ongoing Retained Interest subject to the Ongoing Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable the Ongoing Retained Interests to participate in any change of control transaction.

License of the Inovalis Name and Logo

During the term of the Management Agreement and in the event that the management of the REIT has been internalized, following such internalization, Inovalis will provide the REIT with a royalty-free license to, among other

things, use the Inovalis name, trademark and related marks, logos and designs on an exclusive basis within Canada and on a non-exclusive basis elsewhere pursuant to a license agreement (the "**License Agreement**"). By using such name, the REIT will have the benefit of the goodwill and recognition associated with the "Inovalis" name in the real estate industry. The REIT will be entitled to terminate the license at any time without charge. Inovalis may terminate the license at any time on 30 days' written notice following the date on which (i) the REIT is provided written notice of its failure to comply with the License Agreement, provided that the REIT has the right to cure any such failure not later than 10 days after receiving such notice; (ii) the REIT is managed by an external manager other than Inovalis; or (ii) there is a change of control of the REIT.

Lease Equalization Agreements

Inovalis will, on Closing, enter into Lease Equalization Agreements with one or more subsidiaries of the REIT which is being financed pursuant to a loan arrangement. This will have the effect of equalizing the rent payments over the term of two leases as described below providing the REIT with stable and predictable monthly revenue. The rental payments owing by (i) France Telecom, in respect of the 186,070 square foot office space premises at the Vanves Property, and (ii) Smart & Co., in respect of the 48,981 square foot office space premises at the Dubonnet Property are not equal over the term of the respective lease. In particular, the lease payments owing by each of France Telecom and Smart & Co. will be lower immediately following Closing than the lease payments required to be made towards the end of the respective lease terms. In order to provide the REIT with stable and predictable monthly revenue, Under the Lease Equalization Agreements:

(a) Inovalis will be required to pay to the applicable subsidiaries of the REIT on a quarterly basis during the period commencing on Closing and ending on September 30, 2015, (i) the difference between the actual France Telecom lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately €3,506,705 ($4,557,314) in the aggregate, and (ii) the applicable subsidiaries of the REIT will be required to pay to Inovalis, on a quarterly basis during the period commencing on October 1, 2015 and ending on September 30, 2021, the difference between the actual France Telecom lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately €3,506,705 ($4,557,314) in the aggregate, plus 5.00% per year of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis representing the opportunity cost to Inovalis resulting from the timing of the payments; and

(b) Inovalis will be required to pay to the applicable subsidiaries of the REIT on a quarterly basis during the period commencing on Closing and ending on September 30, 2016, (i) the difference between the actual Smart & Co. lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately €328,112 ($426,414) in the aggregate, and (ii) the applicable subsidiaries of the REIT will be required to pay to Inovalis, on a quarterly basis during the period commencing on October 1, 2016 and ending on September 30, 2019, the difference between the actual Smart & Co. lease payments over such period and the average lease payments over the term of the lease, which is expected to be approximately €328,112 ($426,414) in the aggregate, plus 5.00% per year of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis representing the opportunity cost to Inovalis resulting from the timing of the payments.

Standby Credit Facility

It is intended that the REIT will arrange for a standby credit facility (the "**Standby Credit Facility**") with Inovalis to be implemented on or prior to Closing. The Standby Credit Facility is expected to provide for up to $10 million for a two year period bearing an interest rate of approximately 8.0%.

RETAINED INTEREST

On Closing, Inovalis will hold an approximate 10% interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of the Initial Retained Interest. The Exchangeable Securities will entitle the holder to cash distributions from Luxco equal, on a per Unit basis, to the distributions paid to holders of Units by the REIT. The Exchangeable Securities will be accompanied by Special Voting Units, which have no economic interest but provide the Exchangeable Securities holder with the same voting rights in the REIT as a Unit. The Exchangeable Securities are exchangeable into Units (subject to customary anti-dilution adjustments) as described under "Retained Interest – Exchange Agreement".

Exchangeable Securities

Description of the Luxco Notes

The Luxco Notes will bear an annual weighted average interest rate of approximately 7.8% and will mature, and shall be repaid in full together with all accrued and unpaid interest thereon, if any, on the 15th anniversary from Closing of the Offering (regardless of the issuance date). Although Luxco may prepay all or any portion of the principal at any time without penalty, no principal payments on the Luxco Notes will be required to be made prior to the date of maturity. Payment of any principal or interest on the Luxco Notes will be subject to the subordination provisions described herein. Upon an involuntary moratorium, reorganization, insolvency, liquidation proceeding or any analogous proceeding, the REIT may (i) declare the unpaid balance of any drawdown made to Luxco to be immediately due and payable, and/or (ii) exercise any or all rights and remedies available to it in the Luxco Notes and under applicable laws. The recourse of the REIT against Luxco is limited to the aggregate amount paid to or collected by Luxco out of the assets financed by the Luxco Note and an amount equal to the lower of (i) 1% of the aggregate principal of the assets financed by the Luxco Notes and (ii) €2,000,000.

Description of the NIB Notes

The NIB Notes will be non-interest bearing notes and will mature, and shall be repaid in full, on the 15th anniversary from the date of Closing (regardless of the issuance date). Although Luxco may prepay all or any portion of the principal at any time without penalty, no principal payments on the NIB Notes will be required to be made prior to the date of maturity. Payment of any principal between Inovalis and Luxco pursuant to the NIB Notes will be subject to the subordination provisions described herein. Upon an involuntary moratorium, reorganization, insolvency, liquidation proceeding or any analogous proceeding, the REIT may (i) declare the unpaid balance of any drawdown made to Luxco to be immediately due and payable, and/or (ii) exercise any or all rights and remedies available to it pursuant to the NIB Notes and under applicable laws.

Luxco Common Shares

The authorized share capital of Luxco will consist of Luxco Common Shares. Each Luxco Common Share entitles its holder to one vote at the general meeting of shareholders and is entitled to its pro rata share of dividend distributions subject to subordination provisions described herein. Upon liquidation of Luxco, each holder of Luxco Common Shares is entitled to receive liquidation proceeds in proportion to its pro rata share of the equity of Luxco. Luxco may be wound up upon resolution passed by shareholders representing at least 50% of the Luxco Common Shares.

The Luxco Common Shares, Luxco Notes and NIB Notes to be acquired by the REIT on Closing will have the same terms as the Exchangeable Securities, except that they will not be exchangeable into Units and will not be subject to the subordination provisions.

Special Voting Units

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

Initial Retained Interest Escrow

The Initial Retained Interest will be subordinated for a period of three years from Closing such that Inovalis will only be entitled to receive monthly distributions on its Exchangeable Securities for a given month after the monthly distribution of $0.06875 per Unit has been satisfied for such month. Such Initial Retained Interest will be subject to the Initial Retained Interest Escrow whereby the Exchangeable Securities will be automatically released from escrow on the third anniversary of Closing. During the Initial Retained Interest Escrow period, Inovalis will be restricted from selling its Exchangeable Securities but will retain all ownership rights. All of the Exchangeable Securities subject to the Initial Retained Interest Escrow will be automatically released from escrow upon a change of control of the REIT and the REIT will be required to make arrangements to enable such Exchangeable Securities to participate in any change of control transaction. See "Relationship with Inovalis – Ongoing Retained Interest."

Nomination Right

Inovalis will have the right to nominate between one and two Trustees to the Board of Trustees of the REIT depending upon the level of Inovalis' ownership interest in the REIT and whether it is serving as manager of the REIT. See "Trustees and Executive Officers – Governance and Board of Trustees" and "Declaration of Trust and Description of REIT Units".

See "Relationship with Inovalis – Ongoing Retained Interest".

Exchange Agreement

On Closing, the REIT, Luxco, and Inovalis will enter into an exchange agreement (the "**Exchange Agreement**"). The Exchange Agreement will grant to Inovalis the right to require the REIT to exchange the Exchangeable Securities for Units (the "**Exchange Right**"), subject to customary anti-dilution adjustments and the adjustments described under "Declaration of Trust and Description of REIT Units". Collectively, the exchange rights granted by the REIT are referred to as the "exchange rights".

On Closing, the Exchangeable Securities will, in the aggregate, be exchangeable into 1,166,667 Units, which represents an approximate 10% ownership interest in the REIT. If Inovalis desires to exchange a percentage of its Exchangeable Securities into Units of the REIT, it will be required to tender that same percentage of each of its Luxco Notes, NIB Notes and Luxco Common Shares. The number of Units into which the Exchangeable Securities may be exchanged will be adjusted during the term of the Exchange Agreement as follows:

(a) decreased from time to time by the number of Units issued to Inovalis upon the exercise of the Exchange Right from time to time, and

(b) increased from time to time upon the issuance to Inovalis of any additional Luxco Common Shares, Luxco Notes and NIB Notes in the same relative proportion of Luxco Common Shares, Luxco Notes and NIB Notes held by Inovalis immediately prior to such issuance (unless otherwise agreed to by Inovalis and the REIT) by a number of Units equal to (i) the aggregate value of such issued Exchangeable Securities, as determined based on the value of the consideration for such issuance under the transaction pursuant to which such securities are issued (including, in the case of management or other fees in respect of which such securities are issued, as set forth in the Management Agreement) converted into Canadian Dollars using the average noon rate of exchange posted by the Bank of Canada on each of the five business days ending on the Business Day prior to the Exchangeable Securities being issued divided by (ii) the five-day VWAP as of the date of the issuance.

The exchange procedure may be initiated at any time by a holder of Exchangeable Securities so long as all of the following conditions have been met:

(a) the exchange would not cause the REIT to cease to be a "mutual fund trust" for purposes of the Tax Act or create a substantial risk of such cessation;

(b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange rights; and

(c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws.

Pursuant to the terms of the Exchange Agreement, Inovalis will be granted demand and "piggy-back" registration rights by the REIT that will enable it to require the REIT to file a prospectus and otherwise assist with a public offering of Units at any time that Inovalis owns at least 10% of the outstanding Units on a fully-exchanged basis, subject to certain limitations.

In addition to the restrictions on transfer in the NIB Notes, the Luxco Notes and the Luxco Common Shares, the Exchange Agreement also provides that Inovalis will not be permitted to transfer its Exchangeable Securities, other than for Units in accordance with the terms of the Exchange Agreement, unless: (i) the transfer is to an affiliate of Inovalis; (ii) such transfer would not require the transferee to make an offer to holders of Units to acquire Units on the same terms and conditions under applicable securities laws if such Exchangeable Securities, and all other outstanding Exchangeable Securities, were converted into Units at the then current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer; or (iii) the offeror acquiring such Exchangeable Securities makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and does not acquire such Exchangeable Securties unless the offeror also acquires a proportionate number of Units actually tendered to such identical offer.

TRUSTEES AND EXECUTIVE OFFICERS

Trustees and Executive Officers

Effective upon Closing, the Board of Trustees will consist of seven Trustees. The Trustees will be elected by unitholders at each annual meeting of unitholders. All Trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election as Trustees will be determined by the Compensation and Governance Committee ("**Compensation and Governance Committee**") in accordance with the provisions of the Declaration of Trust and the charter of the Compensation and Governance Committee and will be included in the proxy-related materials to be sent to unitholders prior to each annual meeting.

The services of the REIT's senior management team will be provided by Inovalis pursuant to the Management Agreement; provided, however, that in the near term Inovalis is expected to retain a new permanent Chief Financial Officer for the REIT. The following table sets forth the name, municipality of residence and positions held with the REIT (or functions performed on behalf of the REIT) of each Trustee and executive officer of the REIT (or each person acting in the capacity of an executive officer of the REIT) on Closing:

Name, Province or State and Country of Residence	Position/Title	Committees	Principal Occupation
Stéphane Amine *Paris, France*	Chairman and Trustee	N/A	Chairman and Founder, Inovalis
Daniel Argiros *Ontario, Canada*	Independent and Lead Trustee	Audit Committee	Co-Founder, Conundrum Capital Corporation Chief Executive Officer, Potentia Solar Inc.
Jean-Daniel Cohen *Paris, France*	Independent Trustee	Investment Committee and Audit Committee	Chairman, Hoche Partners Group of Companies Managing Director, Laforêt Real Estate
Richard Dansereau *Quebec, Canada*	Independent Trustee	Compensation and Governance Committee (Chairman) and Investment Committee	Managing Director at Stonehenge Partners
Marc Manasterski *Paris, France*	Independent Trustee	Compensation and Governance Committee	Partner, Quilvest Real Estate
Raymond Paré *Quebec, Canada*	Independent Trustee	Audit Committee (Chairman)	Chief Financial Officer and Vice-President, Alimentation Couche-Tard Inc.
Michael Zakuta *Quebec, Canada*	Independent Trustee	Investment Committee (Chairman) and Compensation and Governance Committee	President & Chief Executive Officer, Plazacorp Retail Properties Limited Principal, The Plaza Group
David Giraud *Paris, France*	Chief Executive Officer	N/A	Managing Director, Inovalis Chief Executive Officer of the REIT
Khalil Hankach *Paris, France*	Interim Chief Financial Officer & Secretary	N/A	Director of Finance, Inovalis

As a group, our Trustees and executive officers will beneficially own, or control or direct, directly or indirectly, 256,000 Units, representing approximately 2.4% of the issued and outstanding Units immediately following Closing (2.1% if the Over-Allotment Option is exercised in full) (on a fully-exchanged basis). In addition, Inovalis will own Exchangeable Securities which will, in the aggregate, be exchangeable into 1,166,667 Units, representing an approximate 10% ownership interest in the REIT. Mr. Stéphane Amine, the Chairman of the REIT, is the Chairman and Founder of Inovalis.

Biographical Information Regarding the Trustees and Executive Officers

Stéphane Amine, ***Trustee.*** Mr. Amine has over 20 years of management experience in the European real estate market and will serve as the Chairman of the REIT. Since founding Inovalis in 1998, Mr. Amine has helped build Inovalis into one of Western Europe's leading privately owned real estate investment management companies. Under his stewardship, Inovalis has grown to manage 97 commercial real estate properties in France and Germany which, as of the end of fiscal 2012, had an approximate value of $2.3 billion. Prior to founding Inovalis, Mr. Amine managed the multinational investors of Constructa S.A., a leading developer and property manager with offices, at the time, in the United Kingdom, Switzerland and the United States. Mr. Amine graduated with a Masters in Management from Reims Management School (RMS Grand Ecole / Sup de Co Reims).

Daniel Argiros, ***Independent Trustee.*** In 2000, Mr. Argiros co-founded Conundrum Capital, a real estate private equity fund manager serving major pension funds and institutional investors. In addition, Mr. Argiros is the founder and Chief Executive Officer of Potentia Solar Inc., an independent power producer focused on the development, ownership and operation of solar photovoltaic energy systems. As founder, President and Chief Executive Officer of Acanthus Real Estate Corporation, he grew the firm, between 1997 and 2000, to an asset value of over $500-million on the Toronto Stock Exchange, selling it in September 2000 to Le Caisse de Depot et Placement du Quebec. Prior to forming Acanthus, Mr. Argiros led the investment management subsidiary of Corporate Planning Associates, from 1988 to 1997. Mr. Argiros began his career with the national accounting firm, Deloitte, Haskins & Sells in 1985, after completing his Bachelor of Commerce degree at the University of Toronto. He obtained his designation as a Chartered Accountant (C.A.) the following year. Mr. Argiros is a Director and Past President of ProAction, Cops and Kids. Mr. Argiros will serve as the Lead Trustee of the REIT.

Jean-Daniel Cohen, ***Independent Trustee***. Since 2001 Mr. Cohen has served as the Chairman and CEO of Hoche Partners Group of Companies, an international investment bank focused on providing advisory, structured financing, private equity and real estate services to family offices and medium-sized businesses. He also serves as Managing Director of LAURAD, a real estate-focused private equity investment group, whose investments include Laforêt Real Estate, a leading France based retail real estate broker franchise. Mr. Cohen sits on the Board of Société Centrale des Bois et Scieries de la Manche (SCBSM), a real estate investment trust listed on NYSE Euronext Paris, as well as Crosswood, and Fociére Volta, two French listed NYSE Euronext Paris investment companies. Prior to his current role, Mr. Cohen was the Managing Partner at Aurel-Leven, a leading independent French brokerage and investment bank, the Managing Partner at UFFI REAM, a real estate asset manager and CEO of Louis Dreyfus Finance (Banque), the banking arm of the Louis Dreyfus Group. Mr Cohen graduated from Ecole Centrale de Paris.

Richard Dansereau, ***Independent Trustee.*** Mr. Dansereau brings over 30 years of real estate experience, during which time he has been involved in all aspects of real estate for a variety of different firms. Mr. Dansereau is currently a Managing Director at Stonehenge Partners, a New York-based real estate company, which owns and manages a portfolio of more than 3,000 luxury rental apartments in Manhattan. Prior to joining Stonehenge, Mr. Dansereau was President and Chief Operating Officer of Cadim, a real estate division of Caisse de depot et placement du Québec, from 2000 to 2009 and, prior to that, he was Vice-President of Acquisitions for Canadian Real Estate Investment Trust from 1997 to 2000. In addition, he has been employed at a number of notable real estate firms, including Brasos Advisors (now Lonestar), Colliers International and Marcil Trust, and has served on the boards of private and public companies, including MCAN Mortgage Corporation. Mr. Dansereau has a certificate in marketing from the Business School of the University of Montreal. Mr. Dansereau will serve as Chairman of the REIT's Compensation and Governance Committee.

Marc Manasterski, ***Independent Trustee.*** Mr. Manasterski is a partner and Head of Quilvest Real Estate, a division of Quilvest, a multi-family office with global reach. Before joining Quilvest in February 2008, Mr. Manasterski served as Chief Executive Officer of Alliance Hospitality Group, managing a large hotel portfolio in France, Belgium and Italy on behalf of Whitehall, Goldman Sachs' real estate opportunity fund. Prior to that, Mr. Manasterski enjoyed more than 20 years of direct experience in real estate development. As Chief Executive Officer of several private investment funds owned by banks or/and high net worth individuals, he led concept development and construction of market multi-component resorts and smaller redevelopment projects. Mr. Manasterski holds an H.N.D. in Marketing from the College for the Distributive Trades (London) and a Masters in Business Administration from INSEAD, Fontainbleau.

Raymond Paré, ***Independent Trustee*****.** Mr. Paré is the Chief Financial Officer and a Vice-President of Alimentation Couche-Tard Inc., the largest independent convenience-store operator in terms of company-owned stores in North America. Prior to assuming his current position, Mr. Paré held the position of Vice-President, Corporate Finance and Treasurer and previously, the position of Director, Finance within Alimentation Couche-Tard Inc. since 2003. In 1992, Mr. Paré began his professional career at Ernst & Young as a Chartered Accountant and, prior to joining Alimentation Couche-Tard Inc., held several senior positions in financial and operational management at JAC Canada / USA Inc. and Bombardier Inc. Mr. Paré graduated in 2008 with a Masters in Business Administration for management in Financing. In 1992 Mr. Paré obtained a Bachelor's Degree in Accounting from the Université du Québec in Montréal became a Chartered Accountant in 1994. Mr. Paré will serve as the Chairman of the REIT's Audit Committee.

Michael Zakuta, ***Independent Trustee*** – Mr. Zakuta has served as President, Chief Executive Officer and Director of Plazacorp Retail Properties Limited since 2005. Plazacorp is one of Eastern Canada's leading retail property owners with interests in 118 properties comprising over 5.1 million square feet of retail space. Previously, Mr. Zakuta was Vice-President of Plazacorp Retail Properties Limited. He is a co-founder of Plazacorp Retail Properties Limited and has served as a Director of the company since its inception in 1999. Mr. Zakuta is a Director of Fronsac REIT (TSX Venture) an owner of "management free", triple net retail assets in Quebec. Mr. Zakuta has been a real estate developer and entrepreneur as a Principal of the Plaza Group since 1986. He began his career in real estate after obtaining a law degree (L.L.B) from the University of Montreal and a business degree (B. Comm) from McGill University. Mr. Zakuta will serve as the Chairman of the REIT's Investment Committee.

David Giraud, ***Chief Executive Officer***. Mr. Giraud has over 20 years of management experience in the European real estate market and will serve as the Chief Executive Officer of the REIT. Since co-founding Inovalis in 1998, Mr. Giraud has helped build Inovalis into one of Western Europe's leading privately owned real estate investment management companies, growing from approximately $19 million in equity under management to almost $750 million in equity under management and ten key accounts as of the end of fiscal 2011. During this time Mr. Giraud has focused on fund structuring, investor relations and overall fund management. Prior to co-founding Inovalis, Mr. Giraud acted as Chief Operating Officer of various private equity companies which made investments in various industries Turkey, Lebanon and France. Mr. Giraud graduated with a Masters in Management from Reims Management School (RMS Grande Ecole / Sup de Co Reims).

Khalil Hankach, ***Interim Chief Financial Officer & Secretary*** – Mr. Hankach has 10 years of experience in the European real estate market. From 2003 to 2006, he worked in the acquisitions department and was responsible for acquiring assets in both France and Germany. During this same time he helped Inovalis cultivate strong relationships with various European banks and was charged with raising senior debt for real estate acquisitions. In 2006, Mr. Hankach headed a joint-venture between Inovalis and U.S. and Middle Eastern investors in order to purchase performing loans and secure mezzanine financing for third party buyers of real estate. Since 2010, Mr. Hankach has managed the internal Inovalis' team responsible for bank and investor relations while also securing senior debt financing for a variety of real estate acquisitions. Mr. Hankach graduated from the University of Manchester with a bachelors degree and Masters degree in Economics.

Penalties or Sanctions

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of our existing or proposed Trustees or executive officers, and to the best of our knowledge, no Unitholder holding a sufficient number of our securities to affect materially the control of us is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Governance and Board of Trustees

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over our properties and assets and affairs, as if the Trustees were the sole owners of such properties and assets. Our governance practices, Investment Guidelines and Operating Policies will be overseen by a Board of Trustees consisting of a minimum of five and a maximum of twelve Trustees, a majority of whom must be Canadian residents. We must also have at all times a majority of Trustees who are Independent Trustees within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"); provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee's independent judgment. As of Closing, the Board will be comprised of seven Trustees, six of whom will be Independent Trustees. The REIT has determined that Stéphane Amine is not independent under these standards due to his role as Chairman and Founder of Inovalis, the promoter and manager of the REIT.

The Trustees may, between meetings of the unitholders, appoint one or more additional Trustees if, after such appointment, the total number of Trustees does not exceed one and one-third times the number of Trustees in office immediately following the last annual meeting of the unitholders. The Declaration of Trust provides that any Trustee may resign upon written notice to us. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of the unitholders called for that purpose or by the written consent of the unitholders holding in the aggregate not less than a majority of the outstanding Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees, so long as they constitute a quorum, or by the unitholders at a meeting of the unitholders.

The mandate of the Board of Trustees will be one of stewardship and oversight of us and our investments. In fulfilling its mandate, the Board of Trustees will adopt a written charter, substantially in the form set out under Appendix A hereto, setting out its responsibilities. Among other things, the Board of Trustees will be responsible for (a) participating in the development of and approving a strategic plan for us; (b) supervising our activities and managing our investments and affairs; (c) approving major decisions regarding us; (d) defining the roles and responsibilities of management upon the recommendation of the Compensation and Governance Committee; (e) reviewing and approving the business and investment objectives to be met by management; (f) assessing the performance of and overseeing management; (g) reviewing our debt strategy; (h) identifying and managing risk exposure; (i) ensuring the integrity and adequacy of our internal controls and management information systems; (j) succession planning; (k) establishing committees of the Board of Trustees, where required or prudent, and defining their mandate; (l) maintaining records and providing reports to unitholders; (m) ensuring effective and adequate

communication with unitholders, other stakeholders and the public; (n) determining the amount and timing of distributions to unitholders; and (o) acting for, voting on our behalf and representing the REIT as a holder of securities of its Subsidiaries.

The Board of Trustees will adopt a written position description for the Chairman and the Lead Trustee of the Board of Trustees which will set out their respective, responsibilities, including, as applicable, duties relating to setting meeting agendas of the Board of Trustees, chairing meetings of unitholders, Trustee development and communicating with unitholders and regulators. The Board of Trustees will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of each committee.

We will adopt a written code of conduct (the "**Code of Conduct**") that will apply to all of our Trustees, officers and employees. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, reputation, honesty, objectivity and impartiality. The Code of Conduct will address conflicts of interest, protecting our assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board of Trustees expects to monitor compliance with the Code of Conduct by encouraging all Trustees, officers and employees to talk to supervisors, managers or other appropriate personnel about observed illegal behavior and when in doubt about the best course of action in a particular situation. Certain of the REIT's Trustees and executive officers may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors". The Board of Trustees will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will be available on SEDAR at www.sedar.com following Closing.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the *Canada Business Corporations Act* ("**CBCA**"). Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in our best interests and the holders of Units and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee will be entitled to indemnification from us from and against liability and costs in respect of any action or suit against them in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to our best interests and the holders of Units and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

The Declaration of Trust provides that, so long as Inovalis and its affiliates (i) have an interest of at least 6% of the REIT's Units (after taking into account any exchangeable securities owned by Inovalis), or (ii) serves as the manager of the REIT, Inovalis will have the right to nominate two Trustees to the Board of Trustees of the REIT. The number of Trustees entitled to be nominated by Inovalis will be reduced to one Trustee in the event that the ownership interest held by Inovalis and its affiliates is reduced to between 3% and 6% of the REIT's Units (after taking into account any exchangeable securities owned by Inovalis). So long as a Trustee nominated by Inovalis is serving on the Board of Trustees, such Trustee will be the Chairman of the Board of Trustees. In the event that two Trustees nominated by Inovalis are serving on the Board of Trustees, Inovalis will have the right, in its sole discretion, to appoint either of the two Trustees to serve as Chairman of the Board of Trustees. So long as Mr. Stéphane Amine is a Trustee he will comprise one of the nominees of Inovalis.

Committees of the Board of Trustees

Pursuant to the Declaration of Trust, the Board of Trustees will establish three committees: the Audit Committee, the Compensation and Governance Committee and the Investment Committee. The Declaration of Trust requires that the Audit Committee, the Compensation and Governance Committee and the Investment Committee be composed of at least three Trustees, all of whom must be Independent Trustees. The Declaration of Trust requires that a majority of the Trustees on each of these committees be residents of Canada. Each member of a committee shall serve at the pleasure of the Trustees and, in any event, only so long as he or she shall be a Trustee.

Audit Committee

National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) and the Declaration of Trust require the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be Independent Trustees. The Board of Trustees will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix B hereto, which will provide that the Audit Committee will assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including (a) reviewing our procedures for internal control with our auditors and Chief Financial Officer; (b) reviewing and approving the engagement of the auditors; (c) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management’s discussion and analysis; (d) assessing our financial and accounting personnel; (e) assessing our accounting policies; and (f) reviewing our risk management procedures.

The Audit Committee will have direct communication channels with our Chief Financial Officer and our external auditors to discuss and review such issues as the Audit Committee may deem appropriate.

The Audit Committee will initially be comprised of Messrs. Paré, Mr. Argiros and Mr. Cohen, with Mr. Paré as Chairman. Each of these individuals is an Independent Trustee and “financially literate” within the meaning of NI 52-110. Each initial member of the Audit Committee possesses considerable education and experience relevant to the performance of his responsibilities as an Audit Committee member. See “Trustees and Executive Officers – Trustees and Executive Officers – Biographical Information Regarding the Trustees and Executive Officers”.

Auditors’ Fees

The aggregate fees billed by Ernst & Young SA (and its network), our external auditor, or fees accrued by us in 2012 for professional services in connection with our formation and organization, which will be paid by us, are presented below:

	Year Ended December 31, 2012
Audit fees[1]	€ 3,500
Audit-related fees[1]	€ 943,100
Tax fees	€ —
All other fees	€ —
Total	**€ 946,600**

Notes
(1) Based on amounts included in our financial forecast.

Compensation and Governance Committee

The Compensation and Governance Committee will initially consist of Messrs. Dansereau, Mr. Manasterski and Mr. Zakuta, with Mr. Dansereau as Chairman. The Compensation and Governance Committee will be charged with reviewing, overseeing and evaluating the governance and nominating policies and the compensation policies of the REIT. In addition, the Compensation and Governance Committee will be responsible for: (i) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT; (iii) organizing an orientation and education program for new Trustees and coordinating continuing Trustee development programs; (iv) considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board of Trustees concerning any change in the number of Trustees composing the Board of Trustees; (vi) administering any Unit option or purchase plan of the REIT or any other compensation incentive programs; (vii) assessing the performance of the officers and other members of the executive management team of the REIT; (viii) reviewing and approving the compensation paid by the REIT, if any, to consultants of the REIT; and (ix) reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable, if any, to the Trustees and officers of the REIT.

Following Closing, it is expected that the Compensation and Governance Committee will put in place an orientation program for new Trustees under which a new Trustee will meet with the Chairman and Lead Trustee of the

Board of Trustees and members of the executive management team of the REIT. It is anticipated that a new Trustee will be provided with comprehensive orientation and education as to the nature and operation of the REIT, its business, the role of the Board of Trustees and its committees, and the contribution that an individual Trustee is expected to make. The Compensation and Governance Committee is also responsible for assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees. Trustees will be regularly surveyed to form the basis of such assessment and such assessment will be reviewed by the Chairman of the Board of Trustees, with the exception of the assessment of the Chairman of the Board of Trustees, which will be reviewed by the Lead Trustee.

To ensure the Compensation and Governance Committee has the expertise to carry out its mandate, it is intended that its members will have, or acquire within a reasonable period of time after being appointed, an understanding of relevant issues relating to governance and compensation.

Investment Committee

The Investment Committee will initially consist of Messers. Zakuta, Mr. Cohen and Mr. Dansereau with Mr. Zakuta as Chairman. The Investment Committee may authorize, without the Board of Trustees' approval, proposed acquisitions, dispositions or borrowings where the acquisition, disposition or borrowing, including the assumption or granting of any mortgage, does not exceed €40 million. The Investment Committee will also recommend to the Board of Trustees whether to approve or reject proposed transactions, where the value of such transaction exceeds €40 million.

Independent Trustee Matters

In addition to requiring the approval of a majority of our Trustees, the following matters will require the approval of at least a majority of our Independent Trustees who have no interest in the matter to become effective:

(a) making any material change to the Management Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);

(b) entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;

(c) approving or enforcing any agreement entered into by us with a Related Party;

(d) permitting any of our Subsidiaries to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party; and

(e) making or prosecuting any claim by or against any Related Party.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions similar to those applicable to corporations under Section 120 of the CBCA, which serve to protect unitholders without creating undue limitations on us. Given that our Trustees and officers will be engaged in a wide range of real estate and other business activities, the Declaration of Trust requires each of our Trustees and officers to disclose to us if he or she is a party to a material contract or transaction or proposed material contract or transaction with us or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with us. Such disclosure is required to be made by a Trustee (a) at the first meeting of the Trustees or the applicable committee thereof, as the case may be, at which a proposed material contract or transaction is first considered, (b) if the Trustee was not then interested in a proposed material contract or transaction, at the first such meeting after a Trustee becomes so interested, (c) if the Trustee becomes interested after a material contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested, (d) if a person who is interested in a material contract or transaction later becomes a Trustee, at the first such meeting after he or she becomes a Trustee. Disclosure is required to be made by each of our officers as soon as the officer becomes aware that a material contract or transaction or proposed material contract or transaction is to be, or has been, considered by the Trustees or applicable committee thereof, as soon as the officer becomes aware of his or her interest in a material contract or transaction or, if not currently an officer, as soon as such person becomes an

officer. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by Trustees or unitholders, that Trustee or officer is required to disclose in writing to the Trustees or applicable committee thereof or request to have entered into the minutes of the meeting of the Trustees or applicable committee thereof the nature and extent of his or her interest forthwith after the Trustee or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as our Trustee, officer, employee or agent or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance. Certain of our Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors".

As it is contemplated that the Chair of the Board will not be an Independent Trustee, an Independent Trustee will be appointed as Lead Trustee in order to ensure appropriate leadership for the Independent Trustees. It is contemplated that the primary responsibilities of the Lead Trustee will be to (i) seek to ensure that appropriate structures and procedures are in place so that the Board of Trustees may function independently of management of the REIT; and (ii) lead the process by which the Independent Trustees seek to ensure that the Board of Trustees represents and protects the interests of all unitholders.

Executive Officers

The responsibilities of our senior management will be established by the Board of Trustees and initially will include: (a) leading our management and implementing the resolutions and policies of the Board of Trustees; (b) providing the Board of Trustees with information and advice relating to the operation of our properties, acquisitions and financings; (c) establishing, at least on an annual basis, investment and operating plans for the ensuing period to be approved by the Board of Trustees; (d) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (e) maintaining our books and financial records; (f) determining and preparing designations, elections and determinations to be made in connection with income and capital gains for tax and accounting purposes; (g) preparing reports and other information required to be sent to unitholders and other disclosure documents; (h) calculating all distributions to be approved by the Board of Trustees; (i) communicating with unitholders and other persons, including investment dealers, lenders and professionals; and (j) administering or supervising the administration, on behalf of the Board of Trustees, of the payment of cash distributions and other distributions.

Until internalized, the services of the REIT's senior management team, including that of the Chief Executive Officer and the Chief Financial Officer, will be provided pursuant to the Management Agreement.

The primary functions of the Chief Executive Officer are to lead the management of the REIT's business and affairs and to lead the implementation of the resolutions and the policies of the Board of Trustees. The Board of Trustees will develop a written position description and mandate for the Chief Executive Officer which will set out the Chief Executive Officer's key responsibilities, including duties relating to strategic planning, operational direction, Board of Trustees' interaction, succession reporting and communication with unitholders.

Trustees' and Officers' Liability Insurance

We intend to carry Trustees' and officers' liability insurance. Under this insurance coverage, we will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by us. Individual Trustees and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. In addition, we will enter into indemnity agreements in favour of each of our Trustees and officers.

EXECUTIVE COMPENSATION

Overview

The REIT's senior management team currently consists of individuals employed or contracted by Inovalis. Inovalis will provide strategic, advisory, asset management, project management, property management and administrative services pursuant to the Management Agreement for which the relevant subsidiary of the REIT will pay certain fees. See "Relationship with Inovalis – Management of the REIT".

The REIT will not have any employment agreements with members of senior management and the REIT will not pay any cash compensation to any individuals serving as officers of the REIT directly or indirectly. Rather, those individuals are compensated by Inovalis. A portion of the compensation paid to certain employees of Inovalis will be attributable to time spent on the REIT's activities.

Our officers named in the "Summary Compensation Table" below are employees of Inovalis. These officers are referred to herein as the "named executive officers."

The board of directors of Inovalis will have sole responsibility for determining the compensation of the named executive officers. As a private entity, Inovalis is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

The REIT's senior management team are employed or contracted by Inovalis. Accordingly, any variability in cash compensation paid by Inovalis to the named executive officers that are employees or contractors of Inovalis will not impact the REIT's financial obligations.

The compensation of Inovalis is calculated in accordance with the Management Agreement and is not subject to the general discretion of the Board of Trustees. Accordingly, compensation received from Inovalis by Inovalis' senior management and its employees and contractors is not within or subject to the discretion of the Board of Trustees.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on the activities of the REIT, and supplements the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follow.

Principal Elements of Compensation

The compensation of the named executive officers will include two major elements: (a) base salary and (b) an annual cash bonus. As a private company, Inovalis' process for determining executive compensation is relatively straightforward, involving board discussion with input from senior management of the company. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by Inovalis for determining how one element of compensation fits into the overall compensation objectives in respect of our activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the board of directors of Inovalis.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

The two principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to our success, the position and responsibilities of the named executive

officers and competitive industry pay practices for other real estate investment trusts and corporations of comparable size. Inovalis does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Other comparable real estate businesses that may be considered for benchmarking purposes include Allied Properties REIT, Artis REIT, Cominar REIT, CREIT, Dundee International REIT, H&R REIT and Morguard Investments Limited. Increases in base salary are at the sole discretion of Inovalis.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards, and reward our performance or the named executive officer individually. The determination of our performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as unit price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance. AFFO is not defined by IFRS, does not have a standard meaning and may not be comparable with other industries or income trusts. Nevertheless, AFFO is a key performance measure used by real estate operating companies. See "Non-IFRS Measures".

Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities.

We do not have a unit option plan.

Summary Compensation Table

The following table provides a summary of the significant elements of compensation anticipated to be paid to each of the named executive officers following the Closing. For greater certainty, the REIT will not have any employment agreements with members of senior management and the REIT will not pay cash compensation to any individuals serving as officers of the REIT directly or indirectly.

Name and principal position	Year	Salary[1][2] ($)	Unit-based awards	Non-equity incentive plan compensation[3]	All other compensation ($)	Total compensation ($)
Stephané Amine Chairman	2013	225,000	—	—	—	225,000
David Giraud Chief Executive Officer	2013	175,000	—	—	—	175,000
Khalil Hankach Interim Chief Financial Officer & Secretary	2013	125,000	—	—	—	125,000

Notes

(1) Represents the portion of salary anticipated to be paid by Inovalis attributable to time expected to be spent on our activities.

(2) Annualized base salary immediately after Closing.

(3) As this amount is discretionary, it has not been determined as of the date of the prospectus.

Trustees' Compensation

The Trustees' compensation program is designed to attract and retain qualified individuals to serve on the Board of Trustees. In consideration for serving on the Board of the Trustees, each Trustee that is not an employee of the REIT or Inovalis will be compensated as indicated below:

Type of Fee	Amount ($)
Trustee Annual Retainer	$ 25,000/year
Lead Trustee Annual Retainer	$ 10,000/year
Audit Committee Chair Annual Retainer	$ 10,000/year
Other Committee Chair Annual Retainer	$ 5,000/year
Board Meeting Attendance Fee	$1,000/meeting
Committee Attendance Fee	$1,000/meeting

The compensation of the Board of Trustees will be reviewed on an annual basis by the Compensation and Corporate Governance Committee.

The Trustees will also be reimbursed for their out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees will be entitled to receive remuneration for services rendered to us in any other capacity, except in respect of their service as directors of any of the REIT's Subsidiaries. Trustees who are employees of and who receive salary from the REIT or Inovalis will not be entitled to receive any remuneration for their services in acting as Trustees, but will be entitled to reimbursement of their out-of-pocket expenses incurred in acting as Trustees.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Our investment and operating activities are limited because our operating business is carried out by our Subsidiaries. The Investment Guidelines governing our investments in real estate and other assets and the Operating Policies governing our investments are set out below.

Investment Guidelines

Pursuant to the Declaration of Trust and other documents governing us, our assets may be invested only in accordance with the following Investment Guidelines:

1. The REIT will only invest in units, notes and securities of its Subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian or European chartered bank or trust company;
2. The REIT will not make, or permit any of its Subsidiaries to make, any investment that could result in: (a) the Units being disqualified for investment by Plans; (b) the REIT owning "non-portfolio property" as defined in subsection 122.1(1) of the Tax Act; or (c) the REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;
3. Subject to the other provisions hereof, Subsidiaries of the REIT shall invest only in income-producing real property or assets (including ownership and leasehold interests) or assets ancillary thereto located outside of Canada;
4. Subsidiaries of the REIT will not invest in raw land (except for the acquisition of properties adjacent to our existing properties for the purpose of renovation or expansion of existing assets where the total cost of all such investments does not exceed 10% of our Gross Book Value);
5. Subsidiaries of the REIT may invest in a joint venture arrangement only if:
   - (a) the arrangement is an arrangement pursuant to which the applicable Subsidiary of the REIT holds, directly or indirectly, an interest in real property jointly or in common with others ("joint venturers") and the arrangement is formed and operated solely for the purpose of holding a particular real property or properties; and
   - (b) the joint venture arrangement provides an appropriate mechanism to enable the applicable Subsidiary of the REIT to: (i) acquire the joint venturer's interest; (ii) dispose of or otherwise liquidate its interests; or (iii) sell the entire property, unless, in each case, the joint venture arrangement is an existing arrangement that is assumed as part of a portfolio acquisition or other similar transaction;
6. Except for temporary investments held in cash, deposits with a Canadian or European chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank or a European chartered bank maturing prior to one year from the date of issue, Subsidiaries of the REIT may not hold securities or enter into derivative contracts other than (i) for hedging and other risk management purposes; or (ii) securities of a joint venture entity or a partnership, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by the applicable Subsidiary of the REIT, or an entity owned by the applicable Subsidiary of the REIT formed and operated solely for the purpose of holding a particular real property or real properties; or (iii) securities of a public real estate entity;
7. Subsidiaries of the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
8. Subsidiaries of the REIT may invest in a mortgage or mortgage bonds (including participating or convertible mortgages) only where:
   - (a) (i) the real property which is security therefor is income-producing real property which otherwise meets our Investment Guidelines; (ii) the mortgage is a first mortgage registered on title to the real property which is security therefor; (iii) the amount of the mortgage loan is not in excess of 75% of the appraised market value of the property securing the mortgage; and (iv) the aggregate value of our investments in mortgages, after giving effect to the proposed investment, will not exceed 20% of our Gross Book Value; or
   - (b) the sole intention is to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property which would otherwise meet the Investment Guidelines set forth in the Declaration

of Trust, provided that the aggregate value of our investments in these mortgages will not exceed 10% of our Gross Book Value and provided that we have an option to acquire a 100% interest in the subject property or properties;

provided that, notwithstanding the foregoing, Subsidiaries of the REIT may invest in any mortgage, which does not satisfy either (a) or (b) above, if such investment is specifically approved by the Trustees; and

9. Subsidiaries of the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by us and secured by a mortgage on such property) up to 25% of our Gross Book Value in investments or transactions which do not otherwise comply with our Investment Guidelines, so long as the investment is outside of Canada and does not contravene Paragraph 2 above.

(collectively, the "**Investment Guidelines**")

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which we have an interest will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Pursuant to the Declaration of Trust, the Investment Guidelines set forth above may only be amended with the approval of at least 66⅔% of the votes cast at a meeting of unitholders of the REIT called for that purpose except for certain amendments that may be undertaken by a majority of the Trustees pursuant to the Declaration of Trust.

Operating Policies

The Declaration of Trust and other documents governing us provide that our operations and affairs must be conducted in accordance with the following Operating Policies and that we will not permit any of our Subsidiaries to conduct its operations and affairs other than in accordance with the following Operating Policies:

1. To the extent our Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the REIT and our unitholders, any written instrument which, in the judgment of our Trustees, creates a material obligation of the REIT must contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the Trustees, unitholders of the REIT, annuitants or beneficiaries under a plan of which a unitholder acts as a Trustee or carrier or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof will be bound;
2. The REIT will only guarantee the obligations of Subsidiaries, provided that the REIT may guarantee the obligations of Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT if the REIT has received an unqualified legal opinion that the guarantee by the REIT will not cause the REIT to cease to qualify as a "mutual fund trust" for the purposes of the Tax Act;
3. Subsidiaries of the REIT will not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with all other property being leased by Subsidiaries of the REIT to the vendor and its affiliates exceeds 15% of our Gross Book Value;
4. The limitation referred to in paragraph 3 above will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by: (a) a federal, provincial, state, municipal or city government, or any agency or crown corporation thereof, of any jurisdiction; or (b) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements were entered into that is not less than "A low" or its equivalent;
5. Subsidiaries of the REIT may engage in construction, development or redevelopment of real property provided such real property could, on completion, meet our Investment Guidelines and Operating Policies;
6. To the extent that a Subsidiary of the REIT acquires a freehold interest in a property, title to such real property shall be held by and registered in the name of the relevant subsidiary of the REIT, the Trustees or in the name of a

corporation or other entity majority owned, directly or indirectly, by the REIT or jointly, directly or indirectly, by the REIT with joint venturers;

7. Subsidiaries of the REIT will obtain and maintain at all times insurance coverage in respect of potential liabilities of Subsidiaries of the REIT and the accidental loss of value of the assets of Subsidiaries of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and

8. The REIT shall not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 55% of our Gross Book Value (or 60% of Gross Book Value including convertible debentures).

9. Subsidiaries of the REIT shall obtain a Phase I ESA of each real property to be acquired by it and, if the Phase I ESA report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant, and as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

(collectively, the "**Operating Policies**")

For the purpose of the foregoing Operating Policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which we have an interest will be deemed to be owned by the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in property will be deemed to include an investment in a joint venture arrangement.

Pursuant to the Declaration of Trust, the Operating Policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of unitholders of the REIT called for that purpose.

DISTRIBUTION POLICY

The following outlines our expected distribution policy to be contained in the Declaration of Trust, but is not intended to be a complete description. You should refer to the Declaration of Trust for the full text of our distribution policy. Our distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of our unitholders.

General

We intend to make regular monthly cash distributions to Unitholders derived from our indirect investment in the Initial Properties. We expect that the initial monthly cash distribution rate will be $0.06875 per Unit. The initial cash distribution, which will be for the period from and including the date of Closing to May 31, 2013, is expected to be paid on June 17, 2013 to Unitholders of record on May 31, 2013 and is estimated to be $0.11688 per Unit (assuming the Closing occurs on April 10, 2013).

We estimate that the initial annual distribution rate (including distributions on the Exchangeable Securities) will represent approximately 93% of AFFO for the 12 months ended December 31, 2013. Our intended initial annual distribution rate has been established based on our estimate of AFFO for the 12 months ended December 31, 2013, which we have calculated based on adjustments to our *pro forma* net income for the 12 months ended December 31, 2013 (after giving effect to the Offering and the Acquisition). This estimate was based on our *pro forma* operating results and does not take into account our growth strategy, income generated from the proceeds of the sale of any Units pursuant to the exercise of the Over-Allotment Option, any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our AFFO for the 12 months ended December 31, 2013, we have made certain assumptions as reflected in the section “Financial Forecast”.

Our estimate of AFFO does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for acquisition and other activities, other than a reserve for recurring capital expenditures. It also does not reflect the amount of cash estimated to be used for financing activities, other than interest payments on loans and borrowing and the impact of the Lease Equalization Agreements. Any such investing and/or financing activities may have a material effect on our estimate of AFFO. Because we have made the assumptions set forth above in estimating AFFO, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and we have estimated AFFO for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of AFFO should not be considered as an alternative to cash flow from operating activities (computed in accordance with IFRS) or as an indicator of our liquidity or our ability to make other distributions. In addition, the methodology upon which we made the adjustments described herein is not necessarily intended to be a basis for determining future dividends or other distributions. We do not anticipate that we will be subject to Canadian tax at the REIT level, because we will not be a SIFT trust and we intend to distribute our full taxable income to Unitholders each year. However, our level of distributable income will be affected by the level of foreign tax, if any, that may be payable by our Subsidiaries.

We intend to maintain our initial distribution rate for the 12-month period following completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized by the Board of Trustees in its sole discretion out of funds legally available for distribution to our Unitholders and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We believe that our estimate of AFFO constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distributions per unit if the Over-Allotment Option is exercised; however, this could require us to make distributions from the net proceeds of the Offering. Notwithstanding our distribution policy, the Trustees retain full discretion with respect to timing and quantum of distributions, if declared.

We cannot assure you that our estimated distributions will be made or sustained. Any distributions we pay in the future will depend upon our actual results of operations, currency exchange rates, economic conditions, debt service requirements and other factors that could differ materially from our expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more

information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors".

Distributions in respect of a month are paid on or about each Distribution Date to Unitholders of record as at the close of business on the corresponding Distribution Record Date. This means that the distribution for any month is generally paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

In addition, on December 31 of each year, having regard to the present intention of the Trustees, we intend to make payable to such Unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non-capital losses recognized on or before the end of such year such that we will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15.

Where the Trustees determine that we do not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Trustees, include, if necessary, the issuance of additional Units, or fractions of such Units, as the case may be, having a fair market value as determined by the Trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution in the case of the Units.

Unless the Trustees determine otherwise, immediately after any pro rata distribution of additional Units to Unitholders, the number of outstanding Units will automatically be consolidated such that each of such holders will hold after the consolidation the same number of Units as such holder held before the distribution of additional Units. Each Unit certificate representing the number of Units prior to the distribution of additional Units will be deemed to represent the same number of Units after the non-cash distribution of additional Units and the consolidation.

Notwithstanding the foregoing, where tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will result in such Unitholder holding that number of Units equal to (a) the number of Units held by such Unitholder prior to the distribution plus the number of Units received by such Unitholder in connection with the distribution (net of the number of whole and part Units withheld on account of withholding taxes) multiplied by (b) the fraction obtained by dividing the aggregate number of Units outstanding prior to the distribution by the aggregate number of Units that would be outstanding following the distribution and before the consolidation if no withholding tax were required in respect of any part of the distribution payable to any Unitholder. Such Unitholder will be required to surrender the Unit certificates, if any, representing such Unitholder's original Units, in exchange for a Unit certificate representing such Unitholder's post-consolidation Units.

Tax Deferral on Distributions

We estimate that, of the monthly cash distributions to be made by us to Unitholders, approximately 91% in 2013 will be tax deferred by reason of our ability to amortize for tax purposes a portion of the purchase price of the Initial Properties and claim certain other deductions. Such estimate is based on the facts set out in this prospectus, the financial forecast and related assumptions, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") and the Proposed Amendments and the current tax legislation and current publicly available published administrative policies and assessing practices of France, Germany and Luxembourg. The estimate of the deferral may also be impacted by changes in foreign currency exchange rates. No assurances can be given that the tax deferred portion of distributions will be achieved in the current period or maintained in future periods. The adjusted cost base of Units held by a Unitholder generally will be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. See "Certain Canadian Federal Income Tax Considerations", "Certain Non-Canadian Income Tax Considerations" and "Risk Factors".

Hedging Arrangements

We intend to implement hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. See "Currency Hedging Arrangements".

Distribution Reinvestment Plan

On or shortly following Closing, the REIT intends to implement, subject to regulatory approval, a distribution reinvestment plan (the "**DRIP**") pursuant to which Unitholders may elect to have cash distributions of the REIT automatically reinvested in additional Units at a price per Unit equal to the VWAP for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units with a value equal to 3% of each distribution that was so reinvested by the Unitholder.

No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all related administrative costs will be borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

It is expected that further administrative details, including the date of the first distribution of income for which Unitholders will be entitled to elect to have distributions reinvested under the DRIP, and enrolment documents regarding the DRIP will be forwarded to beneficial owners of Units prior to the fourth Distribution Date.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

General

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are substantially similar, unitholders do not have statutory rights of shareholders of a corporation incorporated under either the OBCA or the CBCA including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, and the right to bring "oppression" or "derivative" actions. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or approval of the unitholders of the REIT.

Trust Units

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of unitholders and to participate pro rata in any distributions by the REIT, whether 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. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, (as described below under "Declaration of Trust and Description of REIT Units – Redemption Right") and the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole units.

Special Voting Units

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to exchangeable securities for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with exchangeable securities to which they relate, and will be evidenced only by the certificates representing such exchangeable securities. Special Voting Units will not be transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities. Each Special Trust Unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of Units that may be obtained upon the exchange of the exchangeable securities to which such Special Trust Unit is attached. Upon the exchange or surrender of a exchangeable securities for a Unit, the Special Trust Unit attached to such exchangeable securities will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Trust Unit will cease to have any rights with respect thereto. Special Voting Units shall not be transferable separately from the Exchangeable Securities to which they relate and will automatically be transferred upon the transfer of any such Exchangeable Securities. Special Voting Units may only be transferred to permitted transferees of Special Voting Units.

Meetings of Unitholders

The Declaration of Trust provides that meetings of unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of

the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "Declaration of Trust and Description of REIT Units – Amendments to Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually, for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of unitholders must be held in Canada.

A meeting of unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 10% of the Units and Special Voting Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 5% of the total number of outstanding Units and Special Voting Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the unitholders present either in person or by proxy will be deemed to constitute a quorum.

Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of unitholders. Pursuant to the Declaration of Trust, a resolution in writing executed by unitholders holding a proportion of the outstanding Units and Special Voting Units equal to the proportion required to vote in favour thereof at a meeting of unitholders to approve that resolution is valid as if it had been passed at a meeting of unitholders.

Advance Notice Provision

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision shall be eligible for election as Trustees. Nominations of persons for election to the Board of Trustees may be made for any annual meeting of Unitholders, or for any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (i) by or at the direction of the Board of Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (iii) by any person (a "**Nominating Unitholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees.

To be timely, a Nominating Unitholder's notice to the Trustees must be made: (i) in the case of an annual meeting of Unitholders, not less than 30 nor more than 60 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of

electing Trustees (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Unitholders was made. In no event shall any adjournment or postponement of a meeting of Unitholders or the announcement thereof commence a new time period for the giving of a Nominating Unitholder's notice as described above.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (i) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units or Special Voting Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws (as defined in the Declaration of Trust); and (ii) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws. The REIT may require any proposed nominee to furnish such other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an independent Trustee or that could be material to a reasonable Unitholder's understanding of the independence, or lack thereof, of such proposed nominee.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board of Trustees may, in its sole discretion, waive any requirement in the Advance Notice Provision.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the Transfer Agent and the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to CDS. Upon receipt of the redemption notice by the Transfer Agent and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

(a) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "**Redemption Date**"); and

(b) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "Market Price" of a Unit as at a specified date will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;

(b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading

days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "Closing Market Price" of a Unit for the purpose of the foregoing calculations, as at any date will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid pro rata to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes or securities of a REIT subsidiary or other property of the REIT, as determined by the Trustees in their sole discretion. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT makes a distribution in specie on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution. See "Certain Canadian Federal Income Tax Considerations".

Purchases of Units by the REIT

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

The Declaration of Trust and the Exchange Agreement will provide that if a non-exempt take-over bid from a person acting at arm's length to holders of Exchangeable Securities (or any associate or affiliate thereof) is made for the Units and such take-over bid is not structured such that holders of Exchangeable Securities can exchange into Units conditional on take-up, then, provided that not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid, from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold, the Exchangeable Securities held by persons other than the REIT will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, on exchange, the holder of Exchangeable Securities will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Exchangeable Securities will also not be adjusted until the exchange right is actually exercised.

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the distribution payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may also issue new Units (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees or (ii) pursuant to any incentive or option plan established by the REIT from time to time, including the DRIP. See "Distribution Policy – Distribution Reinvestment Plan".

The Declaration of Trust also provides that, immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Book-Entry Only System

At the option of the Trustees, one or more global unit certificates (each a "**Global Unit Certificate**") may be issued in the name of and deposited by the Transfer Agent with, or on behalf of, CDS as custodian of such global unit certificate and registered by the Transfer Agent in the name of CDS or its nominee. No beneficial holder of Units

represented in part by a Global Unit Certificate will be entitled to a certificate or other instrument from the REIT or CDS evidencing that beneficial holder's ownership thereof except in the circumstances where CDS resigns or is removed from its responsibilities as depository and the REIT is unable or does not wish to locate a qualified successor. Beneficial interests in a Global Unit Certificate will be represented only through the book-entry system of CDS. Transfers of Units between participants of CDS shall occur in accordance with CDS's rules and procedures.

Units issued in the form of a Global Unit Certificate will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the REIT is required to do so by applicable law; (ii) the depository system of CDS ceases to exist; (iii) the REIT determines that CDS is no longer willing or able or qualified to discharge properly its responsibility as depository and the REIT is unable to locate a qualified successor; or (iv) the REIT at its option elects to terminate the book-entry system in respect of such Units through CDS.

Transfer and Exchange of Units

Transfers of beneficial ownership of Units represented by Global Unit Certificates will be effected through records maintained by CDS or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT elects, in its sole discretion, to prepare and deliver definitive certificates representing the Units, beneficial owners who are not participants in the book-entry system administered by CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Unit Certificates, may do so only through participants in the book-entry system administered by CDS.

The ability of a beneficial owner of an interest in a Unit represented by a Global Unit Certificate to pledge the Unit or otherwise take action with respect to such owner's interest in the Unit represented by a Global Unit Certificate (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive certificates representing Units may transfer such Units upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Unit certificates to the registrar for the Units at its principal office in the City of Toronto, Ontario or such other city or cities as may from time to time be designated by the REIT, whereupon new Unit certificates will be issued in authorized denominations in the same aggregate principal amount as the Unit certificates so transferred, registered in the name of the transferees.

Information and Reports

The REIT will furnish to unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of unitholders, the Trustees will provide the unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of unitholders called for such purpose.

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all unitholders at a meeting:

(a) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;

(c) any constraint of the issue, transfer or ownership of the Units or Special Voting Units or the change or removal of such constraint;

(d) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees);

(e) the termination of the REIT or its subsidiaries;

(f) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees); and

(g) except as described herein, the amendment of the Investment Guidelines and Operating Policies of the REIT. See "Investment Guidelines and Operating Policies".

Notwithstanding the foregoing, the Trustees may, without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or the REIT; (ii) the status of the REIT as a "mutual fund trust" under the Tax Act; or (iii) the distribution of Units;

(b) which, in the opinion of the Trustees, provide additional protection for the unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the unitholders;

(f) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS for January 1, 2011 and thereafter; or (ii) to ensure the Units qualify as equity for purposes of IFRS for January 1, 2011 and thereafter;

(g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(h) which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the unitholders, (i) to create and issue one or more new classes of preferred equity securities of the REIT (each of which may be comprised of unlimited series) that rank in priority to the Units and Special Voting Units (in payment of distributions and in connection with any termination or winding up of the REIT), and/or (ii) to remove the redemption right attaching to the Units and convert the REIT into a closed-end limited purpose trust;

(i) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Rules;

(j) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(k) for any purpose (except one in respect of which a unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to unitholders and is necessary or desirable.

Pursuant to the Declaration of Trust, no amendment shall be made to the Declaration of Trust that limits or alters the nomination rights of Inovalis described in this prospectus without the express written consent of Inovalis.

Any amendment to the Declaration of Trust which directly or indirectly adds, changes or removes any of the rights, privileges, restrictions or conditions in respect of the Special Voting Units shall require the approval of a majority of the votes cast by all holders of Special Voting Units at a meeting of unitholders (or by written resolution in lieu thereof).

CAPITALIZATION

The following table sets forth our *pro forma* consolidated capitalization as at September 30, 2012, after giving effect to the Offering and the Acquisition, but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with our *pro forma* consolidated financial statements and notes thereto contained in this prospectus.

	As at September 30, 2012 after giving effect to the Offering and the Acquisition
Indebtedness	
Finance Lease Liabilities	$100,518
Exchangeable Securities	$ 11,514
Unitholders' Equity	
Unitholders' Equity[(1)(2)]	
(Authorized – unlimited; Issued - 10,500,000)	$100,750
	$212,782

(1) Sufficient Units will be reserved for issuance to satisfy the REIT's obligations to issue Units in connection with the exchange rights granted to the holders of the Exchangeable Securities pursuant to, and as contemplated by, the Exchange Agreement. Upon the exchange of the Exchangeable Securities for Units, a corresponding number of Special Voting Units will be cancelled. See ''Retained Interest — Exchange Agreement''.

(2) The REIT was initially settled on February 8, 2013 with $10.00 in cash.

USE OF PROCEEDS

The net proceeds of the Offering are estimated to be approximately $93,875,316 ($108,680,316 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' commission and the estimated expenses of the Offering. The Underwriters' commission and the expenses of this Offering will be paid out of the proceeds of this Offering.

The proceeds will be used by the REIT to indirectly acquire the Initial Properties through the acquisition of (i) Luxco Notes; (ii) NIB Notes; and (iii) Luxco Common Shares, with the balance to be used for general trust purposes. Luxco will use these proceeds together with the proceeds received from Inovalis for its subscription of Exchangeable Securities to indirectly acquire the French Leaseholds and the Hanover Leasehold.

We will use the net proceeds from the sale of Units by us on exercise of the Over-Allotment Option to fund growth opportunities and for general trust purposes.

For more details on the Acquisition, and the debt financing to be assumed by us in connection with the Acquisition, see "Acquisition of the Initial Properties" and "Our Structure and Formation".

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, we have agreed to sell and the Underwriters have agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on March 28, 2013 or such later date as may be agreed between the Underwriters and us but, in any event, not later than May 10, 2013, 10,500,000 Units at a purchase price of $10.00 per Unit for aggregate gross consideration of $105,000,000 payable in cash to us against delivery. In consideration for their services in connection with the Offering, we have agreed to pay the Underwriters a fee of $0.60 per Unit sold. The Underwriters will not receive any fee in respect of the Exchangeable Securities to be purchased by Inovalis concurrently with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions, including the condition that the Acquisition be completed concurrently with the completion of the Offering and that the Units have been approved for listing on the TSX, and may be terminated at their discretion upon the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement. We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the Underwriters may be required to make in respect of those liabilities.

There is currently no market through which the Units may be sold and purchasers of Units may not be able to resell the Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". The TSX has conditionally approved the listing of the Units under the symbol "INO.UN" Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before June 18, 2013.

The Offering is being made in each of the provinces of Canada. The Units will be offered in each of the provinces of Canada through those Underwriters or their Affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Units outside of Canada.

The Units offered hereby have not been and will not be registered under the 1933 Act or any applicable state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an applicable exemption from the 1933 Act and exemptions from any applicable state securities laws. Accordingly, the Underwriters have agreed that they will not offer or sell the Units within the United States of America, its territories, its possessions and other areas subject to its jurisdiction, or to, or for the account or benefit of, U.S. persons, except, in accordance with the Underwriting Agreement, pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and/or to a limited number of certain qualified institutional buyers (as defined in Rule 144A under the 1933 Act) and institutional "accredited investors" (as defined in Rule 501(a)(1),(2),(3) or (7) of Regulation D under the 1933 Act) in transactions that are exempt from the registration requirements under the 1933 Act, and, in each case, in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units in the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made pursuant to an exemption under the 1933 Act.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved by the Underwriters to close the subscription books at any time without notice.

The Underwriters propose to offer the Units initially at the offering prices specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriters to us.

Over-Allotment Option

We have granted to the Underwriters an Over-Allotment Option, exercisable in whole or in part for a period of 30 days from the Closing, to purchase a number of additional Units equal to 15% of the Units sold at the closing of the Offering on the same terms and at the same price per Unit as set out above solely to cover over-allotments, if any. We have agreed to pay to the Underwriters a cash commission equal to 6% of the gross proceeds with respect to Units issued under the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Inovalis will maintain its 10% ownership interest in the REIT in the event of an exercise of the Over-Allotment Option by subscribing for that number of Exchangeable Securities (i) having an aggregate value equal to 10% of the number of Units purchased by the Underwriters pursuant to the Over-Allotment Option; and (ii) that are exchangeable into 10% of the number of Units purchased by the Underwrites upon exercise of the Over-Allotment Option. For greater certainty, no underwriter commission will be payable with respect to the purchase by Inovalis of these additional 10% Exchangeable Securities.

Price Stabilization, Short Positions and Passive Market Making

In accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

In order to facilitate the Offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Units. Specifically, the Underwriters may sell more Units than they are obligated to purchase under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is not greater than the number of Units available for purchase by the Underwriters under the Over-Allotment Option. The Underwriters can close out a covered short sale by exercising the Over-Allotment Option or purchasing Units in the open market. In determining the source of Units to close out a covered short sale, the Underwriters will consider, among other things, the open market price of Units compared to the price available under the Over-Allotment Option. The Underwriters may also sell Units in excess of the Over-Allotment Option, creating a naked short position. The Underwriters must close out any naked short position by purchasing Units in the open market. Any naked short sales will form part of the Underwriters' over-allocation position. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market after pricing that could adversely affect investors who purchase in this Offering. As an additional means of facilitating this Offering, the Underwriters may bid for, and purchase, Units in the open market to stabilize the price of the Units. The Underwriters may also impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting commissions received by it because the representatives have repurchased Units sold by or for the account of such Underwriter in stabilizing or short covering transactions. These activities may raise or maintain the market price of the Units above independent market levels or prevent or retard a decline in the market price of the Units. The Underwriters are not required to engage in these activities and may end any of these activities at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

Fees and Expenses

The following table shows the per Unit and total Underwriters' commission that we will pay to the Underwriters, assuming both no exercise and full exercise of the Over-Allotment Option:

	Over-Allotment Not Exercised	Over-Allotment Fully Exercised
Per Unit	$ 0.60	$ 0.60
Total	$6,300,000	$7,245,000

No commission will be paid to the Underwriters on the Exchangeable Securities sold to Inovalis. It is estimated that the total expenses payable by the REIT in respect of the Offering, not including the underwriting commissions, and the Acquisition will be approximately € 3,722,750 ($4,824,684) million.

Lock Up

The REIT agrees not to, directly or indirectly, issue, sell or grant any option to purchase or agree to announce any intention to issue, sell or grant any option to purchase, any additional equity or quasi-equity securities for a period of 180 days after Closing without the prior written consent of Desjardins Securities Inc., as lead underwriter, such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to compensation plans of the REIT; (ii) the exercise of the Underwriters' Over-Allotment Option; (iii) the issuance of securities in connection with property acquisitions in the normal course of business; and (iv) the issuance of securities in connection with the payment of fees under the Management Agreement to be entered into with Inovalis.

The Trustees and senior officers of Inovalis and the REIT and the principals of Inovalis and any company owned or controlled by the principals of Inovalis have agreed not to sell any Units or Exchangeable Securities (or financial instruments convertible or exchangeable into Units or Exchangeable Securities) for a period of 180 days following the date of Closing, without the prior written consent of Desjardins, such consent not to be unreasonably withheld.

Book-Entry Only System

It is expected that the Units to be issued in the Offering will be issued in "book-entry only" form and be represented in the form of one or more fully registered Unit certificates registered in the name of CDS or its nominee and held by, or on behalf of, CDS, as depositary of the Unit certificates for the participants of CDS (a "**CDS-Registered Unit Certificate**"). It is expected that registration of ownership and transfers of Units will be effected through the book-based system administered by CDS. The REIT understands that each purchaser acquiring a beneficial interest in a Unit represented by a CDS-Registered Unit Certificate will receive a customer confirmation of purchase from the Underwriter from whom the beneficial interest is purchased in accordance with the practices and procedures of the selling Underwriter. Neither the REIT, Inovalis nor the Underwriters shall have any responsibility or liability for: (i) any aspect of the records relating to the beneficial ownership of Units held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to Units; or (iii) any advice or representation made by or with respect to CDS and contained in the prospectus, and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a participant of CDS. The rules governing CDS provide that it acts as the agent and depository for the participants of CDS. As a result, participants of CDS must look solely to CDS and a purchaser acquiring a beneficial interest in Units represented by a CDS-Registered Unit Certificate must look solely to participants of CDS for any payments relating to Units paid by or on behalf of the REIT to CDS. See "Declaration of Trust and Description of Units – Book-Based System for Units".

At the Market Offerings

Following Closing, the REIT will consider entering into, subject to regulatory approval, an equity distribution agreement to make "at the market" distributions of Units to investors through the facilities of the TSX (the "**ATM Plan**"). Pursuant to the ATM Plan, the REIT would incrementally sell newly issued Units into the trading market through a designated broker-dealer at prevailing market prices, rather than via a traditional underwritten offering of a fixed number of Units at a fixed price all at once.

UNITHOLDERS' RIGHTS PLAN

The REIT will establish the Rights Plan on Closing. The purposes of the Rights Plan are as follows: (i) to ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the REIT Units or other acquisition of control of the REIT; (ii) to provide the Trustees with adequate time to explore and develop alternatives, in order to maximize unitholder value; and (iii) to ensure, to the extent possible, the equal treatment of unitholders in connection with any unsolicited take-over bid. On Closing, one right will be issued and attached to each outstanding REIT Unit pursuant to the Rights Plan.

The Rights Plan will utilize the mechanism of a "Permitted Bid" (as described below) to protect unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and holders of "Equivalent Securities" (as defined below), if any, by way of take-over bid circular and must be open for at least 60 days after the bid is made. If more than 50% of the REIT Units held by "Independent Unitholders" (as defined below) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such REIT Units and associated Equivalent Securities, if any. The take-over bid must then be extended for a further period of at least ten business days on the same terms to allow those unitholders who did not initially tender REIT Units and associated Equivalent Securities, if any, to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten business days after the expiry of the initial tender period. The Rights Plan is designed to make it impractical for any person to acquire more than 20% of the outstanding REIT Units without the approval of the Trustees except pursuant to the Permitted Bid procedures or pursuant to certain other exempt transactions outlined below.

Management believes that the Rights Plan taken as a whole should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all unitholders. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons. See "Portfolio Managers" below. The Rights Plan will be subject to re-confirmation by unitholders and Independent Unitholders every three years and terminate upon the termination of the first annual meeting of the unitholders following the third anniversary date of Closing, unless terminated earlier.

Issue of Rights

On Closing, one Right will be issued and attached to each outstanding REIT Unit. One Right will also attach to any subsequently issued REIT Units. The Rights are not exercisable prior to the Separation Time (as defined below).

Rights Exercise Privilege

The Rights will separate from the REIT Units to which they are attached and will become exercisable (the "**Separation Time**") at the close of business on the 10th business day after the earlier of (A) the first date of public announcement by the REIT or an Acquiring Person of facts indicating that a person has become an Acquiring Person, and (B) the date of the commencement of, or first public announcement of, the intent of any person (other than the REIT or any subsidiary of the REIT) to commence, a take-over bid (other than a Permitted Bid or "Competing Permitted Bid" (as described below)), or the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such, or, in either case, such later date as may be determined by the Trustees.

The acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the REIT Units, other than by way of a Permitted Bid in certain circumstances, is referred to as a ''**Flip-in Event**''. Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or by an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. Ten business days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of $200, on payment of $100 (i.e., at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached REIT Units, reported earnings per Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Acquiring Person

An "Acquiring Person" is any person who beneficially owns 20% or more of all REIT Units. An Acquiring Person does not, however, include: (a) the REIT or any Subsidiary of the REIT; (b) any person who owns, directly or indirectly, 20% or more of the REIT Units on Closing (a "**Grandfathered Person**"), provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Closing, other than pursuant to certain exempt transactions, (i) cease to beneficially own 10% or more of the outstanding REIT Units or (ii) become the owner, directly or indirectly, of Units that increases its percentage ownership interest in the REIT to an amount that exceeds its percentage ownership interest in the REIT on Closing plus an additional 1.0%; or (c) any person who becomes the beneficial owner of 20% or more of the REIT Units as a result of certain exempt transactions.

Exempt transactions include: (a) specified acquisitions (including pursuant to the DRIP) or redemptions of Units; (b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or (c) acquisitions of REIT Units in exchange for additional properties being acquired by the REIT.

Certificates and Transferability

Prior to the Separation Time, Rights will not be evidenced by certificates. Rights will not be transferable separately from the attached REIT Units. From and after the Separation Time, registration of interests in and transfer of the Rights will only be made electronically via CDS, subject to certain exceptions.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following: (a) the take-over bid must be made by way of a take-over bid circular; (b) the take-over bid must be made to all holders of Units and holders of exchangeable securities attached to Special Voting Units ("**Equivalent Securities**"), if any, other than the bidder; (c) the take-over bid must not permit REIT Units and Equivalent Securities tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days from the date of the bid and then only if at such time more than 50% of the REIT Units held by unitholders other than the bidder, Grandfathered Persons, their respective affiliates and persons acting jointly or in concert with the bidder or a Grandfathered Person (the "**Independent Unitholders**") have been tendered pursuant to the take-over bid and not withdrawn; and (d) if more than 50% of the REIT Units held by Independent Unitholders are tendered to the takeover bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of REIT Units and Equivalent Securities for at least an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days (or such minimum period prescribed by law in the Province of Ontario), it may expire on the same date as the earliest date for take-up specified in a Permitted Bid.

Waiver and Redemption

The Trustees acting in good faith may determine, with the prior consent of the unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event, to redeem all, but not less than all, of the outstanding Rights at a redemption price of $0.00001 per Right, subject to appropriate anti-dilution adjustments.

The Trustees acting in good faith may determine, with the prior consent of the unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event that may occur by reason of an acquisition of REIT Units otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all holders of record of REIT Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event.

The Trustees acting in good faith may determine, at any time prior to the occurrence of a Flip-in Event that may occur by reason of a take-over bid made by take-over bid circular sent to all holders of record of REIT Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event, provided that if the Trustees do so, they shall be deemed to have waived the application of the Flip-in Event provisions to any other

Flip-in Event occurring by reason of any take-over bid made by take-over bid circular to all holders of record of REIT Units and Equivalent Securities which is made prior to the expiry of any take-over bid (as the same may be extended from time to time) in respect of which such waiver is, or is deemed to have been, granted.

Redemption of Rights on Withdrawal or Termination of Bid

Where a take-over bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, provided that the provisions of the Rights Plan are deemed to continue to apply as if the Separation Time had not occurred, the Trustees acting in good faith may elect to redeem all the outstanding Rights at the applicable redemption price. Upon such redemption, the REIT is deemed to have issued replacement Rights to all holders of its then outstanding REIT Units.

Waiver of Inadvertent Flip-in Event

The Trustees acting in good faith may, prior to the close of business on the tenth Business Day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that such person reduces its beneficial ownership of REIT Units such that it is not an Acquiring Person within 14 days of the determination of the Trustees.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

Supplement and Amendments

The Trustees may, prior to the time for re-confirmation of the Rights Plan, supplement, amend, vary, rescind or delete any of the provisions of the plan in order to make any changes which the Trustees acting in good faith deem necessary or desirable, without the approval of any holders of Rights or REIT Units, only if such supplement, amendment, rescission or deletion would not materially adversely affect the interests of holders of Rights. Any such change must be submitted for approval by unitholders at the next meeting of unitholders or, if made after the Separation Time, any such change must be submitted for approval by the holders of Rights at a meeting to be called by a date immediately following the next meeting of unitholders, and will only continue in effect if such approval is obtained. The Trustees may also supplement or amend the Rights Plan to correct any clerical or typographical error or as required to maintain the validity of the Rights Plan as a result of change in applicable legislation, rules or regulations.

Notwithstanding any provision of the Rights Plan, certain amendment made by the REIT to the Rights Plan by supplement or otherwise shall be subject to the prior approval of any governmental or regulatory authority having jurisdiction over the REIT.

Eligibility for Investment

The issue of Rights will not affect the status under the Tax Act of the Units as "qualified investments" (as defined in the Tax Act) for Plans. See "Eligibility for Investment".

Regulatory Approvals

Any obligation of the REIT or action or event contemplated by the Rights Plan shall be subject to the receipt of any requisite approval or consent from any applicable governmental or regulatory authority having jurisdiction over the REIT.

General

Until a Right is exercised, the holder thereof, as such, will have no rights as a unitholder.

CLARIFICATIONS TO THE PRELIMINARY PROSPECTUS

The following clarifications have been made in this prospectus from the preliminary prospectus of the REIT dated February 28, 2013 (the "**Preliminary Prospectus**"):

1. The comparison between the NOI Margin of the Initial Properties and the NOI Margin of various Canadian diversified real estate investment trusts included in the Preliminary Prospectus, as well as statements in the Preliminary Prospectus indicating that the REIT has experienced relatively high NOI margins as compared to similar Canadian real estate investment trusts, have been removed from this prospectus.

2. Due to normal course divestitures during 2012, the number of properties managed by Inovalis has decreased from 152 commercial real estate properties worth approximately $2.6 billion, to 97 commercial real estate properties worth approximately $2.3 billion. See "The REIT – Inovalis and the REIT".

3. The disclosure in this prospectus with respect to the possible acquisition candidates (the "**Candidate Properties**") for the REIT under the section "The REIT – Acquisition Strategy" now highlights:

   (a) that the REIT has not yet commenced the acquisition process for any of the Candidate Properties;

   (b) that the REIT cannot commence the acquisition process for any of the Candidate Properties until Inovalis, as asset manager of the Candidate Properties, has determined to divest a particular property;

   (c) that the sale of any Candidate Properties would be subject to the consent of (i) the underlying fund which owns the particular property, and (ii) the financial institutions which own the relevant leasehold (if applicable);

   (d) that the number of Candidate Properties has been reduced from nine (as disclosed in the Preliminary Prospectus) to six, as one of the Candidate Properties has been sold and two of the Candidate Properties do not meet all of the Investment Criteria today;

   (e) that two of the remaining Candidate Properties also do not meet all of the Investment Criteria today; and

   (f) the date by which the REIT expects each Candidate Property to become available for acquisition by the REIT.

4. This prospectus now discloses under the section entitled "The REIT – Acquisition Strategy" that the reference to $600 million of real estate assets out of Inovalis' $2.6 billion portfolio currently meeting the Investment Criteria contained on Slide 14 of the management investor presentation and the statement that these properties could be vended into the REIT in the next twelve months, as discussed on the National Retail Conference Call on March 7, 2013 at 11:00 AM (EST) was meant only for illustrative purposes to highlight a portion of the Inovalis portfolio that could become available to the REIT. Although the REIT intends to consider the acquisition of these properties, all of such properties do not currently match all of the REIT's investment criteria and therefore no assurance can be given that any of such properties will be purchased by the REIT.

In connection with the closing of the Offering, the REIT will own an interest in four properties. When making an investment decision with respect to the REIT, an investor should not assume that the REIT will be acquiring any properties within the next twelve months or that its growth will be based on the acquisition of the Candidate Properties. The Candidate Properties have been included in this Prospectus to illustrate the types of properties that may become available for purchase by the REIT pursuant to the Right of First Opportunity granted to it by Inovalis. There are no assurances that the REIT will acquire any of the Candidate Properties. Please refer to "Risk Factors – We may not be able to source suitable acquisitions".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the REIT, and Blakes, Cassels & Graydon LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a holder of Units and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the REIT and holds the Units as capital property (in this section, referred to as a "**Holder**"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that enters into a "derivative forward agreement", as that term is defined in proposed amendments contained in the Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013, with respect to the Holder's Units; (ii) that is a "financial institution" subject to the mark-to-market rules; (iii) that is a "specified financial institution"; (iv) that is a partnership; (v) an interest in which would be a "tax shelter investment"; or (vi) that has elected to determine its "Canadian tax results" in a foreign currency pursuant to the "functional currency" reporting rules, all within the meaning of the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Finance**") before the date hereof ("**Proposed Amendments**"), counsel's understanding of the current published administrative policies and assessing practices of the CRA, and a certificate as to certain factual matters from an executive officer of the REIT. Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province in which the purchaser resides or carries on business. This summary is not intended to be, nor should it construed to be, legal or tax advice to any particular purchaser.

Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

Mutual Fund Trust Status

This summary is based on the assumption that the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust at all times, and that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a mutual fund trust from the date it was established. If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations, in certain respects, would be materially and adversely different from those described below.

SIFT Rules

The summary is also based on the assumption that the REIT will at no time be a "SIFT Trust" as defined in the rules applicable to "SIFT trusts", "SIFT partnerships" and their investors (the "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any "non-portfolio property" and does not carry on business in Canada in that year. The investment restrictions as set out in the Declaration of Trust preclude the REIT from holding any "non-portfolio property", as defined in the Tax Act. Provided the REIT does not own any "non-portfolio property," the SIFT Rules should have no application to the REIT or its Unitholders.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The REIT's income for purposes of the Tax Act for each taxation year will include, among other things, interest on the Luxco Note that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year, any net realized taxable gains by the REIT in the year and any "foreign accrual property income" ("**FAPI**") earned by a controlled foreign affiliate (a "**CFA**") of the REIT allocable to the REIT, as further described below.

Management has advised counsel that it intends to treat each of Luxco, the OPCI, the French SPVs and the German SPV (collectively, the "**REIT Subsidiaries**") as CFAs of the REIT for purposes of the Tax Act. It is expected that income earned by the REIT Subsidiaries will be FAPI. The REIT generally must include in computing its income its "participating percentage" (as defined in the Tax Act) of any FAPI earned by a CFA of the REIT in a particular taxation year in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" (as defined in the Tax Act) applicable to the FAPI, as computed in accordance with the Tax Act, whether or not the REIT actually receives a distribution of FAPI in the taxation year. The adjusted cost base to the REIT of the applicable shares of the applicable CFA will be increased by the net amount so included in the income of the REIT. At such time as the REIT receives a dividend of amounts that were previously included in its income as FAPI, that dividend effectively will not be included in the income of the REIT and there will be a corresponding reduction in the adjusted cost base to the REIT of the applicable shares of the applicable CFA.

For the purposes of the Tax Act, all income of the REIT (including FAPI) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies, gains or losses may be realized by the REIT (or its subsidiaries) as a consequence of fluctuations in the relative value of the Canadian and foreign currencies. The REIT will enter into foreign currency swap arrangements. In accordance with the CRA's published administrative practice, gains and losses on currency hedging transactions may be treated as capital gains and capital losses provided there is sufficient linkage. Where the REIT enters into derivative transactions other than those that are on account of capital, including interest rate swaps, gains and losses on such derivatives will be treated as an income account rather than as capital gains and capital losses.

The REIT may deduct from its income amounts which are paid or become payable by it to Holders in such year. An amount will be considered to be payable in a taxation year if it is paid to a Holder in the year by the REIT or if a Holder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT will make one or more in kind distributions in the form of additional Units. Income of the REIT payable to the Unitholders in the form of additional Units generally will be deductible to the REIT in computing its income.

In computing its income or loss, the REIT may deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to the applicable provisions of the Tax Act. The REIT may also deduct any expenses incurred by it in the course of the issuance of its units on a five-year straight line basis (subject to proration for short taxation years).

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders but may be deducted by the REIT in the future years in accordance with the Declaration of Trust and the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property in specie to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains) and will be deductible by the REIT in computing its income.

Taxation of Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder. The Declaration of Trust provided that income and net taxable capital gains for purposes of the Tax Act will be allocated to Unitholders in the same proportion as distributions received by the Holders.

Provided that the appropriate designations are made by the REIT, net taxable capital gains realized by the REIT that are paid or become payable to a Holder will retain their character as taxable capital gains to Holders for purposes of the Tax Act. The non-taxable portion of any net realized capital gains of the REIT for a taxation year, the taxable portion of which was designated in respect of a Holder in the year, that is paid or payable to a Holder in a year will not be included in computing the Holder's income for the year and will not reduce the adjusted cost base of the Holder's Units. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year generally should not be included in the Holder's income for the year. However, such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Provided that the appropriate designations are made by the REIT, such portion of its foreign source income shall retain its character in the hands of a Holder for purposes of the Tax Act. Each Holder's share of the "business-income tax" and "non business- income tax" paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition

(excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments and may be reduced by distributions made by the REIT to a Holder of Units as described above. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. A consolidation of Units following a distribution of additional Units or reinvestment of cash distributions under the DRIP will not be regarded as a disposition of Units.

A redemption of Units in consideration for cash or other assets of the REIT or Redemption Notes, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets or Redemption Notes, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption consequently will realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed.

Where income or capital gain realized by the REIT in connection with the distribution of property in specie on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "allowable capital loss") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Corporate Holders

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax of 6 2/3% in respect of its aggregate investment income for the year, which will include all or substantially all income and capital gains distributed to the Holder by the REIT and capital gains realized on a disposition of Units.

Each Holder that is a corporation resident in Canada may be required to include in computing its income its proportionate share (based on its percentage ownership of Units) of the amount of interest that would be owing on the NIB Notes, if the rate of interest for that period were equal to a prescribed rate of interest, within the meaning of the Tax Act. Such Holders are advised to consult their personal tax advisors.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Blakes, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act), the Units will be a qualified investment for trusts governed by a "registered retirement savings plan" ("RRSP"), a registered education savings plan ("RESP"), a registered retirement income fund ("RRIF"), a deferred profit sharing plan ("DPSP"), a registered disability savings plan ("RDSP") and a "tax-free savings account" ("TFSA") (collectively, "Plans").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant of such Plan, as the case may be, (i) deals at arm's length with the REIT, for purposes of the Tax Act, (ii) does not have a "significant interest" (as defined in the Tax Act) in the REIT, and (iii) does not have a "significant interest" (as defined in the Tax Act) in a corporation, partnership or trust with which the REIT does not deal at arm's length for purposes of the Tax Act. Generally, a holder or annuitant will have a significant interest in the REIT if the holder or annuitant and/or persons or partnerships not dealing at arm's length with the holder own interests as a beneficiary under the REIT that have a fair market value of 10% or more of the fair market value of interests of all beneficiaries under the REIT. The Department of Finance (Canada) released draft legislation on December 21, 2012 (the "December 2012 Proposals") that proposes to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF. Prospective purchasers who intend to hold Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

CERTAIN NON-CANADIAN INCOME TAX CONSIDERATIONS

The following summary by management discusses certain material French, Luxembourg and German income and withholding and German real estate transfer tax considerations applicable to our investment in the Initial Properties. It is not exhaustive of all possible tax considerations relevant to those jurisdictions. Moreover, it is based on our understanding of (i) current tax legislation, (ii) the current interpretation of such legislation in each country, and (iii) each country's administrative policies and assessing practices. No tax opinion has been obtained in connection with the disclosure in this section of the Prospectus. There can be no assurances that the relevant tax legislation, the interpretations thereof, or the administrative policies and the assessing practices will not change in a manner that can adversely affect the REIT or its Unitholders (including with retroactive effect). Further, this summary does not address any tax considerations applicable to a Unitholder. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective holder of Units. Consequently, prospective holders should consult with their own tax advisors regarding an investment in Units.

Certain Material French Corporate Income Tax, VAT, and Withholding Tax Considerations

This summary describes the material French corporate income tax, VAT and withholding tax considerations with respect to OPCI incorporated under the form of a SPPICAV, and its subsidiaries incorporated under the form of SCI under the scope of article 8 of the French tax code.

French tax residency

OPCI and SCIs are established in France where they have their statutory seats and places of effective management.

They should therefore be considered as tax residents in France for the application of the France-Luxembourg Tax Treaty as it is currently drafted.

Corporate income tax

Rental income of the OPCI (properties held directly) or of the French SPVs (in the scope of article 8 of the French tax code) should be tax exempt provided the OPCI fulfills its distribution obligations (article 214-128 of the French Monetary Code):

(a) 85% of the distributable income derived from the leasing of properties held directly or indirectly through entities such as French SPVs; and

(b) 50% of the net capital gains realized upon the sale of real estate assets held directly or indirectly through entities, or the sale of French SPVs' shares.

Financing of the OPCI and French SPVs

Luxco will grant interest bearing loans to the French SPVs.

No withholding tax should be levied on interest payments from the French SPVs to Luxco (article 125 A III of the French tax code).

Dividend Income, Capital Gains and Liquidation Proceeds

A 5% withholding tax should be levied in France on dividend distributions made by the OPCI to Luxco (Article 8-2 on dividends and Article 2-2 of the France-Luxembourg Tax Treaty).

No withholding tax should be levied on allocation of results by the French SPVs to the OPCI.

Capital gains realized by the French SPVs/OPCI on the sale of the real estate properties would be exempt from corporate income tax provided the OPCI fulfills its distribution obligations (50% of the capital gain), which

distributions should be subject to a 5% withholding tax as described above. Depending on the status of the real estate properties, VAT or registration duties (5.09% due by the acquirer) may apply.

Capital gains derived from the disposal of French SPVs' shares by the OPCI will be exempt from corporate income tax at the level of the French OPCI provided it fulfills with its distribution obligations, which distributions should be subject to a 5% withholding tax as described above. Registration duties may apply at a 5% rate, and should be due by the shares' acquirer.

No withholding tax should be levied on capital gains realized by Luxco on the sale of OPCI's shares since (i) the OPCI may claim the benefit of the France-Luxembourg tax treaty as it is currently drafted and (ii) according to the tax treaty entered into between France and Luxembourg, capital gains on sale of shares are exclusively taxable in Luxembourg. Sale of OPCI's shares are in principle exempt from registration duties except if the sale concerns more than 20% of the shares (10% if the acquirer is an individual), or if, following the sale, the acquirer will hold more than 20% of the shares (10% if the acquirer is an individual) where 5% registration duties should apply (in principle, due by the acquirer).

In case of liquidation of the OPCI, a 5% withholding tax should be levied on the boni of liquidation.

Three Percent Tax

Legal persons, legal organisms, "fiducies", trusts or similar institutions owning directly or indirectly real estate assets in France at January the 1st of a calendar year are in the scope of the 3% tax, which is assessed on the real estate asset's value (article 990 D and followings of the French tax code).

For the application of article 990 D and followings of the French tax code, financial lease agreements are not considered as real estate assets, therefore, as long as the French SPVs will own the real estate assets through financial lease agreements and will not have elected to purchase the real estate assets, the 3% tax will not be applicable, and none of the entities will fall within its scope (OPCI, LuxCo, REIT and its direct and indirect shareholders).

The entities will fall within the scope of the 3% tax as from the year following the one during which the French SPVs will have elected to purchase the real estate assets, i.e. 2015 if the election is made in 2014, but may benefit from an exemption.

In this context, once the French SPVs have elected to purchase the real estate assets, the OPCI incorporated with simplified operating rules and leveraging, the French SPVs and Luxco will in principle fall within the scope of the 3% tax; nevertheless, they should benefit from an ordinary exemption either by taking a commitment to disclose their shareholding to the French tax authorities upon request, or by declaring annually their shareholding and the structure of their real estate assets.

With respect to the REIT, it should also fall within the scope of the 3% tax; however, it could benefit from the following exemptions:

(a) entities whose stock, shares, or other rights are subject to significant and regular trading on a regulated market governed by rules similar to the regulated markets of the European Union, as well as legal persons whose entire shares are directly or indirectly held by these entities (Article 990 E 2° b of the French tax code), are exempted from the 3% tax without any specific formalities to be carried out.

    Outside of the European Union, the criteria to be taken into account in order to determine whether a stock exchange is governed by rules similar to the regulated markets of the European Union for the purpose of the present exemption are the following ones:

    (i) conditions required for an entity whose stock, shares or other rights are listed (regular legal situation, size of the entity, etc.);

    (ii) the part of the shares freely available to the investing public;

    (iii) level and frequency of minimum transactions required to remain listed;

    (iv) knowledge of the identity of the main shareholders by the market authorities;

    (v) shareholder's non-discrimination governance rules; and

    (vi) obligations relating to the information of the public.

Then, to benefit from the exemption provided for by Article 990 E 2° b) of the French tax code, the entities whose stock, shares and other rights are listed on a regulated market must comply with two cumulative conditions:

(i) their stock, shares or other rights have to be subject to significant trading; and

(ii) their stock, shares or other rights have to be subject to regular trading.

These two criteria have to be analyzed on a case by case basis, taking into account, in particular, the legal and economic background of each entity, as well as the volume and the frequency of transactions its stock, shares or other rights listed on a regulated market are subject to. The possible difficulties in the application of these measures can be submitted to the Direction de la législation fiscale (sous-direction E, bureau E1).

In the case where the REIT would benefit from said exemption, its shareholders and its direct and indirect 100% owned subsidiaries would be de facto exempted from the 3% tax.

(b) foreign entities subject to a legislation equivalent to French retail OPCI are exempted from the 3% tax without any specific formalities to be carried out. In the case where the REIT would benefit from said exemption, its shareholders would be de facto exempted from the 3% tax;

(c) foreign entities that commit to disclose, upon the request of tax authorities, certain information regarding shareholders, partners and other members or if yearly subscribe to tax return n°2746 are exempted from the 3% tax. The entity will have to disclose, and take the commitment to disclose, the identity and address of shareholders, partners or other members except those owning less owning less than 1% of the shares. In the case where the REIT would benefit from said exemption, each shareholder should check whether or not it falls within the scope of the 3% tax, and may be exempted (being said that individuals are de facto exempted from the 3% tax) since interposed entities are jointly liable for the payment of the 3% tax.

The 3% tax status of the entities and their direct and indirect shareholders will therefore need to be checked carefully once the French SPVs have exercised their options to purchase the real estate assets.

VAT

Depending on their activities and their VAT status, the OCPI and French SPVs may need to register for VAT purposes in France. As a general principle, the French SPVs and the OPCI will need to elect for VAT on the rents on the building to be in a position to obtain the refund of the VAT paid upon acquisition.

As a principle, the VAT election must be realized after the acquisition of the building, by registered letter with acknowledgement of receipt. However, as a result of the new VAT rules, the VAT election enters into effect the month following the VAT election sent to the French Tax Authorities.

Therefore, we would recommend that the OPCI and French SPVs elect for VAT the month before the signature of the notary sales deed.

Indirect tax status of the transactions

The real estate properties include three assets being held by French financial lessors (French Banks), and rented to French SPVs under financial lease agreements, so-called crédit-bails (financial lease). Pursuant to the crédit-bail agreement, the lessee has the right to use or to sublease the leased property for the duration of the agreement, and the right, at any until the termination of the agreement, to elect to purchase the underlying property at an agreed price, the amount of which depends on the day of said election.

The transfer of ownership of the corresponding properties (Dubonnet Property, Jeûneurs Property and Vanves Property) will be affected through the sale by the French Inovalis Vehicles lessees of their “lessees’ rights” to French SPVs.

When selling their rights in the financial lease, the lessees are deemed to sell both their right to use the asset (“droit de jouissance”), and their right in the promise to sell granted by the lessor (“promesse de vente”). The price allocated to the right to use the building is subject to registration duties at a 5% rate, and the price allocated to the

promise follows the VAT regime applicable to the underlying asset. In the present case, as long as the buildings are achieved for more than 5 years, the sales should be exempted from VAT.

Certain Material Luxembourg Corporate Income, Municipal Business, Net Wealth and Withholding Tax Considerations

This summary describes the material Luxembourg corporate income tax, municipal business tax, net wealth tax and withholding tax considerations with respect to Luxco and the German SPV.

Taxation of Luxco and the German SPV

Luxembourg tax residency

Luxco and the German SPV are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes.

In order to be considered as tax resident in Luxembourg, the companies must have their statutory seats or places of effective management in Luxembourg.

Luxco and the German SPV should therefore be considered as tax residents in Luxembourg.

Minimum income tax

There is a minimum corporate income tax in Luxembourg amounting to EUR 3,210 in 2013 (including solidarity surcharge) per company whenever the corporation has zero or negative taxable income. Luxco and the German SPV are likely to be subject to this minimum corporate income tax depending on their balance sheet items. After computation of the corporate income tax, if the tax charge is finally higher than the minimum corporate income tax, the minimum corporate income tax is not applicable.

Financing of Luxco

The Issuer will transfer funds received from the Offering to Luxco in order to finance investments in the German SPV and in the OPCI. The Issuer will own 90% of the share capital in Luxco and will also grant an interest bearing loan to Luxco (such interest bearing loan funding the loans to be granted by Luxco to affiliated entities). Furthermore, additional funding will be provided by the Issuer to Luxco through the NIB Notes.

Thin Capitalization Rules

There are no thin capitalization rules formally embodied in Luxembourg tax law. However, it is required by current tax administrative practice that participations reflected in the balance sheet of a Luxembourg resident fully taxable company are financed by a maximum of 85% interest-bearing debt.

The participations of Luxco in the German SPV and in the OPCI will be financed with a mix of equity and other financing instruments which will comply with the Luxembourg debt-to-equity ratio.

Dividend Income, Capital Gains and Liquidation Proceeds

Participation in the German SPV

Luxco should benefit from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from the German SPV. Such dividends and liquidation proceeds should be exempt from corporate income and municipal business tax provided that conditions relating to a shareholding threshold (10% direct shareholding or a direct participation of an acquisition price of at least €1.2 million for dividends and liquidation proceeds) and a 12 months holding period are met.

Regarding capital gain on the shares in the German SPV, it has to be analyzed whether the Luxembourg/Germany double tax treaty should allocate an unlimited primary right to tax capital gains to Luxembourg or to Germany. Please refer to German tax comments for the tax treatment of such capital gain if the right to tax is allocated to Germany.

If the right to tax the capital gain is allocated to Luxembourg based on the Luxembourg/Germany double tax treaty, it should benefit from the Luxembourg participation exemption (provided the minimum 12-months holding period is respected), but should remain taxable up to the sum of the expenses and write-downs in value connected with the participation which have been tax deductible in previous years or during the year of realization of the capital gain, and which reduced the taxable basis of the company (i.e. the recapture amount). The taxation of such recapture amount is limited to the amount of the capital gain realized upon disposal of the qualifying participation.

Participation in the OPCI

Pursuant to certain technical arguments, dividends and liquidation dividends derived by Luxco from the OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. However, no assurance can be given in this regard.

Based on the current Luxembourg/France double tax treaty, capital gains realized on a disposal of the shares of the OPCI should be fully taxable in Luxembourg where no exemption should be available.

Rental income

The German SPV will enter into leasing and sub-leasing agreement through which it will realize a spread profit.

The Luxembourg/Germany double tax treaty should allocate to Germany an unlimited primary right to tax income deriving from such spread on the leasing agreements relating to the property in Germany. Also based on the Luxembourg/Germany double tax treaty, Luxembourg should exempt this income. Please refer to German tax comments for the tax treatment of such rental income.

Interest Income and Transfer Pricing

Luxembourg resident fully taxable companies carrying out intra-group financing transactions generally are required to realize a taxable arm’s length financing margin on such transactions which generally should be documented by a transfer pricing study. In addition, substance (the main one being the requirement to have the majority of the board members of the Luxembourg companies being Luxembourg tax residents) and equity requirements are imposed on those companies. As Luxco will perform intra-group financing activities, those requirements should also be applicable to Luxco.

The financing margin, as well as any other interest income received is fully taxable in Luxembourg (at a tax rate of 29.22% for the 2013 taxation year).

Interest Expenses

Interest expenses on debt instruments may be tax deductible if they are on arm’s length terms and not related to tax exempt income.

Net Wealth Tax

Luxco and the German SPV are subject to Luxembourg annual net wealth tax at a rate of 0.5% applied on net assets as determined for net wealth tax purposes. The minimum net wealth tax for a société à responsabilité limitée is currently EUR 25.

Luxco should be subject to net wealth tax only on its non-exempt assets that are financed by equity. It is expected that Luxco’s assets mainly will be net wealth tax exempt or financed by debt.

The real estate assets of the German SPV (if any) that are located in Germany should be exempt from net wealth tax in Luxembourg based on the double tax treaty concluded between Luxembourg and Germany. The debt financing such exempt assets should therefore not be deductible for net wealth tax purposes in Luxembourg.

Withholding Tax on Dividends

Dividend distributions generally are subject to 15% Luxembourg withholding tax unless the participation exemption regime applies or a reduced rate by virtue of a double tax treaty can apply.

The 100% participation held by Luxco in the German SPV should comply with the conditions of the participation exemption regime and, therefore, dividends paid by the German SPV to Luxco should be exempt from the 15% withholding tax (provided that the minimum 12 months holding period is met).

The qualification of the Issuer for such benefits will depend on its tax status in Luxembourg (i.e., tax transparency, submission to comparable taxation in Canada, etc.). If the Issuer is considered transparent for Luxembourg tax purposes, an analysis of the tax status of each Unitholder must be performed for the purposes of the application of the withholding tax exemption under the Luxembourg participation exemption regime or of a reduced rate under a double tax treaty.

Withholding Tax on Interest

Luxembourg tax law generally does not provide for any withholding tax on (arm's length) interest payments, unless the European Union Savings Directive (EUSD) applies.

Interest payments from Luxco to the Issuer should not fall within the scope of the EUSD notwithstanding the tax status of the Canadian Issuer.

No Luxembourg withholding tax should be levied on the (partial or full) repayment of a debt instrument.

Withholding Tax on Liquidation Proceeds

Luxembourg tax law generally does not provide for any withholding tax on liquidation proceeds.

Non Resident Capital Gain Taxation

According to Luxembourg domestic tax law, the capital gain on a sale (or deemed sale) of a shareholding in a Luxembourg company realized by a non Luxembourg resident shareholder might be subject to non-resident capital gain tax in Luxembourg if the Luxembourg company's shareholders (a company or individual resident in a country with which Luxembourg has no double tax treaty or a treaty that allocates the taxation right of capital gains to Luxembourg) have held directly or indirectly a shareholding of more than 10% in the Luxembourg company and the sale (or deemed sale) takes place within 6 months after the acquisition of such a shareholding.

If the Issuer is considered transparent for Luxembourg tax purposes, the Issuer should be disregarded for the computation of the 10% threshold and therefore this computation should be made for each Unitholder holding shares in Luxco indirectly through the Issuer.

Chamber of Commerce Membership Fee

A Luxembourg company having a commercial, financial or industrial activity generally is subject to the annual Luxembourg Chamber of Commerce membership fee which amounts to a rate ranging from 0.025% to 0.2% (depending on the assessable basis) of the company's taxable basis (before tax losses) of the last but one fiscal year, (i.e. the membership fee of year N is based on the tax basis (before tax losses) of year N-2). The minimum contribution amounts to EUR 70 for an SARL and EUR 140 for corporations other than an SARL.

If Luxco mainly performs holding activities and is classified by the Chamber of Commerce as a "SOPARFI" (based on the NACE code of the European Community – to be checked on the assessment to be received from the Chamber of Commerce), a lump sum membership fee of EUR 350 applies.

VAT

Depending on its activities and its VAT status, Luxco and the German SPV may need to register for VAT purposes in Luxembourg.

Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations

This summary describes certain material German income tax, trade tax, withholding tax and real estate transfer tax considerations with respect to the Hanover Property and the German SPV.

Upon completion of the acquisition, we will indirectly hold all the shares in the German SPV, which will hold a purchase option regarding the Hanover Property against the Hanover Owner ("**German Property Option**") and will be entitled under a usufruct regarding the Hanover Property providing for the assumption of the current sublease agreements with the tenants of the Hanover Property ("**German Subleases**") and the head lease with the Hanover Owner regarding the Hanover Property ("**Head Lease**").

German Real Estate Transfer Tax

The direct transfer of German real property is subject to German real estate transfer tax ("RETT"). RETT is determined based on the purchase price of German real property (plus any other benefit granted in connection therewith) at the applicable tax rate. The RETT rate depends on the German Federal State where the property is located; rates range from 3.5% to 5.5%. Although the purchaser and the buyer are jointly liable for RETT under the German Real Estate Transfer Tax Act, RETT generally is borne by the purchaser.

The assumption of the Head Lease and the German Subleases by the German SPV, the granting of the new and sole usufruct for the benefit of German SPV as well as the acquisition of the German Property Option should not trigger RETT. This is due to the fact that Podes 3 remains as the legal owner of the German Property and assumes that Podes 3 does not transfer the rights regarding the beneficial utilisation of the German Property (wirtschaftliche Verwertungsbefugnis). If – in contrast to the analysis of German SPV and the German Inovalis Vehicle – any RETT would be triggered by the transfer of the German Property Option to the German SPV, the German Inovalis Vehicle has agreed to assume any such RETT liability.

If and when the German SPV exercises the purchase option for the Hanover Property, RETT will be triggered (currently at a rate of 4.5%) on the purchase price for the Hanover Property. Following common market practice, such RETT would be borne by the German SPV as purchaser.

No Withholding Tax on Lease Payments

Under German law, no German withholding tax should be levied on lease payments for the lease of the Hanover Property.

Taxation of the German SPV

The German SPV is a Luxembourg limited liability company that is managed in Luxembourg and, therefore, should not be considered to be a tax resident of Germany for German tax purposes. However, the German SPV would be subject to tax in Germany on its German source income.

Provided the envisaged treatment of the head lease and sub lease structure is achieved (i.e. the Hanover Owner will be regarded as the beneficial owner of the Hanover Property for German tax purposes), the German SPV would realize income from the sub-leasing of the Hanover Property and would have expenses in form of rental payments under the Head Lease entered into with the Hanover Owner, whereas rental prepayment would generally be amortised over the period for which the prepayment was made. As the German SPV's rental revenues would be German source income, such (net) income would be subject to German corporate income tax ("CIT"), even if the German SPV is not a German tax resident. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg because the Hanover Property is located in Germany and income from German real state is taxed in the country where the real estate is located.

Currently, CIT applies at a rate of 15.825% (including a solidarity surcharge of 5.5%) on taxable net income. To determine taxable income for CIT purposes, a taxpayer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property and certain operating expenses) provided that such costs are incurred on arm's length terms.

The deduction of interest expenses must reflect arm's length terms and generally is restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expenses incurred for German tax purposes. In general, interest expenses may only be deducted up to the amount of the gained interest income plus a maximum of 30% of the taxable EBITDA (earnings before interest, tax, depreciation and amortization as adjusted under German tax law). However, an exception is available where annual interest expenses reduced by the gained interest income of one taxpayer/business is less than €3 million for each taxpayer.

Generally, for corporate income tax purposes, losses incurred by a taxpayer may be carried back and offset against taxable income of the preceding year (with a current loss carry back limit of €511,500). Alternatively, losses may be carried forward indefinitely; however, the use of losses in any future year is restricted insofar as they may be used to offset profits of a year without restriction up to an amount of €1 million and against only 60% of the taxable income in excess of €1 million.

The taxable (net) income of the German SPV generally consists of leasing income from the sub-tenants as reduced by (i) lease payments to the Hanover Owner under the Head Lease, (ii) other operating expenses connected to the sub-leasing, and (iii) financing expenses directly and economically connected to the leasing business (if any). Deductions of interest expenses should not be limited under the German interest barrier rules provided that the net interest expense of the German SPV is below €3 million p.a. and any financing agreements (including the German Note) comply with arm's length principles.

In addition to CIT, every taxpayer that carries on business in Germany through a permanent establishment located in Germany, as defined under German tax law, is subject to municipal trade tax ("TT"). The character of the TT is that of an additional corporate income tax and the rates vary between 7.0% and 17.5%, depending on the municipality in which the business operations are carried on. While the German SPV will derive income from the sub-leasing of the Hanover Property that is deemed to be business income for German tax purposes, it should not be subject to German trade tax on its German source income from leasing if it does not have a permanent establishment in Germany. Provided that the German SPV does not actually use the German property and exclusively sub-leases the property to tenants, the mere fact that the German SPV has leased German real property should not create a German permanent establishment. Please see "Risk Factors – German taxes may affect our cash flows, financial condition and distributions to Unitholders".

RISK FACTORS

Investing in our securities involves a high degree of risk. In addition to the other information contained in this prospectus, you should carefully consider the following risk factors before purchasing Units. The occurrence of any of the following risks could materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders. In that event, the value of the Units could decline and investors may lose all or part of their investment. Although we believe that the risk factors described below are the most material risks that we face, they are not the only ones. Additional risk factors not presently known to us or that we currently believe are immaterial could also materially and adversely affect our investments, prospects, cash flows, results of operations or financial condition and our ability to make cash distributions to Unitholders and negatively affect the value of the Units.

Risks relating to the REIT and its business

Risks inherent in the real estate industry may adversely affect our financial performance

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions, (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The Initial Properties generate income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as sub-lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

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

Concentration of tenants may result in significant vacancies on the Initial Properties

Three of our largest tenants, by percentage of total GLA, occupy approximately 68% of the total GLA and account for over 70% of the Net Operating Income of the Initial Properties. Although all three tenants are committed to multi-year leases which are set to expire in 2016, 2024 and 2018 respectively, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. If these tenants vacate the properties that they are currently occupying, and such properties are not leased to another tenant soon after, large percentages of the GLA of the Initial Properties will remain vacant. Certain leases contain a provision which gives tenants the right to terminate their leases after a specified date upon payment of a penalty. The cessation of occupancy by a tenant may have an adverse effect on us and could adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution. In order to minimize this risk, Inovalis will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow Inovalis to source tenants in advance of the current tenants vacating the property.

Recent global financial market developments

Global financial markets have been experiencing a sharp increase in volatility since 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities

contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. Most recently, several European countries have been documented as having rising debts and are having difficulties refinancing those debts to pay back bondholders. The "European debt crisis" as it has been called, referring to the set of events from late 2009 to present day, has seen the sovereign debt ratings of several countries, including France, downgraded by Standard & Poor's Ratings Services and other ratings agencies, the rise in borrowing costs and the decline in investor confidence.

While the European Union, central banks and governments continue attempts to preserve financial stability in Europe and restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These debt crises and the ongoing efforts of governments around the world to address these debt crises have resulted in increased volatility and uncertainty, and diminished liquidity and credit availability, in the global economy and securities markets. It is impossible to predict the effects of these or similar events in the future on the global economy and securities markets or on our investments, though it is possible that these or similar events could have a significant adverse impact on our value and risk profile. If the current economic and financial market conditions in Europe and the rest of the world remain uncertain, persist or deteriorate further, the business of our tenants and potential tenants may be negatively impacted, which may adversely affect our business, operating results and financial condition.

The European debt crisis and related European financial restricting efforts may also cause the value of the European currencies, including the Euro, to further deteriorate, which may impact the European economy in general, including the real estate sector. Moreover, as the European debt crisis has progressed, the possibility of one or more Eurozone countries exiting the European monetary union, or even the collapse of the Euro as a common currency, has arisen. Despite measures taken by the European Union to provide funding to certain European Union member states in financial difficulties and by a number of European countries to stabilize their economies and reduce their debt burdens, it is possible that the Euro could be abandoned as a currency in the future by countries that have already adopted its use. This could lead to the re-introduction of individual currencies in one or more European Union member states, or in more extreme circumstances, the dissolution of the European Union. The effects of the collapse of the Euro, the exit of one or more countries from the European monetary union or a potential dissolution of the European Union, on the global economy, the European real estate market and securities markets are impossible to predict with certainty, and any such events could have a significant adverse impact on our business, trading volumes, value, risk profile and results of operations, particularly in the near term. In the event that one or more countries where we do business were to replace the Euro with their legacy currency, then our revenue and operating results in such countries, or Europe generally, would likely be adversely affected until stable exchange rates are established and economic confidence is restored.

See also "Risk Factors – Risks relating to the REIT and its business – Changes in currency exchange rates could adversely affect our business".

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

Expiries of leases for our properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that we will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution.

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on us and could adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

There are risks with regard to the Hanover Property that the lease may be terminated prematurely if the certain statutory standard form requirements are not met. Moreover, under German law standard terms contained in leases are

invalid and not enforceable by the party which included the prohibited term if such term does not comply with the civil code provisions regarding standard terms. German courts have, in particular, increased the standard for cosmetic repair clauses shifting the obligation for maintenance and repairs to the tenant. The invalidity of such clauses could impose obligations and result in costs to the landlord, thereby negatively impacting a landlord's financial condition.

The Westcon Europe and Smart & Co. premises have limits on operating costs and/or tax recoveries. As a result, we will bear the economic cost of increases in certain of the operating costs and/or tax recoveries in such cases to the extent we are not able to fully recover increases in operating costs and tax recoveries from these tenants which increases would likely adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Moreover, pursuant to the lease agreement with the National Conservatory of Arts and Crafts, none of the taxes legally due by the REIT will be recoverable, with the exception of property taxes and office taxes. Similarly pursuant to the Fresh & Co. and French Environment and Energy and Management Agency lease agreements, several forms of taxes, including but not limited to, property taxes, household refuse taxes and annual office taxes will be borne by the REIT. As a result, we will bear the economic cost of increases to these taxes which would likely adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Head Lease for Initial Properties

The Hanover Property is owned by the Hanover Owner and is subject to a head lease, with the Hanover Owner as lessor and the German Inovalis Vehicle as lessee. On Closing, the German Inovalis Vehicle's interest in the head lease (representing the Hanover Leasehold) will be acquired by the German SPV. See "The Initial Properties – Certain Legal Matters Relating to the Property in Germany". Since the Hanover Property will still be owned by the Hanover Owner, if the Hanover Owner were to sell the Hanover Property or were to become insolvent, there is a risk that the head lease may be terminated by the Hanover Owner or a future owner of the Hanover Property.

According to the head leases for certain of the Initial Properties, the owners of such Initial Properties have certain participation rights with respect to such Initial Properties pursuant to which the French SPV or the German SPV, as the case may be, would need to obtain written consent from the respective owner prior to taking certain actions with respect to such Initial Property, including cancelling or amending lease agreements for such Initial Property. If the owner does not give its prior consent to such actions, it may terminate the applicable head lease.

Environmental contamination on properties may expose us to liability and adversely affect our financial performance

The Initial Properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorphenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

We bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we would have to undertake could negatively affect us and could involve considerable additional costs that we may have to bear. We are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and our ability to lease or sell such a property.

We will be subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly

owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the *German Federal Soil Protection Act* (Bundesbodenschutzgesetz) and the *French Environmental Code* (Code de l'environnement). According to the *German Federal Soil Protection Act*, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if our officers or employees infringe or have infringed environmental protection laws, we could be exposed to civil or criminal damages. Similarly, the *French Environmental* Code is governed by "the polluter pays principle", according to which the costs arising from measures to prevent, reduce or combat pollution must be borne by the polluter. As a result, we may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units."

In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include, where the Trustees so determine, the requirement to conduct the local equivalent of a Phase I environmental audit before acquiring any real property or any interest therein. Where circumstances so warrant, designated substance surveys and/or local equivalent of Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, we remediate such situations. In connection with our acquisition of the Initial Properties, we have negotiated limited indemnities from Inovalis and some exclusion rights relating to certain properties which we determined during our due diligence of the Initial Properties to require environmental remediation. We are not aware of any further environmental conditions with respect to any of the other Initial Properties that we believe would involve material expenditure by us.

At Closing, we will have insurance in place to protect against certain environmental liabilities in respect of certain of the Initial Properties, with limits which are customary and available for portfolios similar to the Initial Properties. In addition, under applicable law, the tenants must conduct their business in their leased premises in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.

We will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

We may incur significant capital expenditures and other fixed costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the

material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property exceed our estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if we are not permitted to raise the rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of, such property could be reduced.

Any failure by us to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income we earn from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units.

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

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

Our access to third-party financing will be subject to a number of factors, including:

- general market conditions;
- the market's perception of our growth potential;
- our current and expected future earnings;
- our cash flow and cash distributions and cash interest payments; and
- the market price of our Units.

If a property is mortgaged to secure the payment of indebtedness or if we own a leasehold interest in a property and we are unable to meet mortgage payments or leasehold payments (including any option amount required to purchase the property), as applicable, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, or we could forfeit our leasehold interest, all of which could result in lost revenues and asset value to us.

The degree to which we are leveraged could have important consequences to unitholders. Such factors include:

- a significant portion of our cash flow may be dedicated to the payment of the principal of, and interest on, our indebtedness, thereby reducing the amount of funds available for the payment of cash distributions to Unitholders;
- certain of our borrowings will be at variable rates of interest which exposes us to the risk of increased interest rates;
- a significant portion of cash flows could be used to service indebtedness;
- a high level of debt would increase vulnerability to general adverse economic and industry conditions;
- the covenants contained in the agreements governing our other indebtedness may limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments;
- a high level of debt may place us at a competitive disadvantage compared to other owners of similar real estate properties that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;

- our debt covenants may also affect flexibility in planning for, and reacting to, changes in the economy and in the industry;
- a high level of debt may make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then-outstanding borrowings; and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy our debt obligations depends on future performance, which is subject to the financial performance of our properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our indebtedness, and our future working capital, borrowings or equity financing may not be available to pay or refinance such debt.

Changes in government regulations may affect our investment in the Initial Properties

We are subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we will operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect the rights and title to the properties. All of the Initial Properties are located in France and Germany. Although the governments in France and Germany are stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which we are subject or the effect of any such change on our investments.

Legal and political risks related to France and Germany

Initially, our investments, and ultimately our revenues, will be in investments located in France and Germany, which will subject us to legal and political risks specific to France and Germany, including but not limited to:

- the enactment of laws prohibiting or restricting the foreign ownership of property;
- laws restricting us from removing profits earned from activities in France and Germany to Luxembourg, including the payment of distributions and nationalisation of assets;
- change in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- changes in real estate and other tax rates and other operating expenses in France and Germany; and
- more stringent environmental laws or changes in such laws.

Any of these factors could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy.

Failure to receive deductions for interest payments may adversely affect our cash flows, results of operations and financial condition

In the course of the Acquisition, we will enter into financing transactions with third parties and affiliates, including financing transactions for the acquisition of the Initial Properties. These debt financing agreements will require us to pay principal and interest.

There are several rules in German tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet

clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of shareholder or affiliate financings and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on our cash flows, financial condition and results of operations and ability to pay distributions on the Units.

Changes in currency exchange rates could adversely affect our business

Substantially all of our investments and operations will be conducted in currencies other than Canadian dollars; however, we will pay distributions to Unitholders in Canadian dollars. We will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through our Subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on our financial results, which will be denominated and reported in Canadian dollars, and on our ability to pay cash distributions to Unitholders. We intend to implement active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our financial results, and our ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on our ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Changes in interest rates could adversely affect our cash flows and our ability to pay distributions and make interest payments

We require extensive financial resources to complete the Acquisition and to implement our future investment concepts and growth strategy. We are dependent on a substantial portion of these resources to finance the Acquisition and the potential purchase of future real estate properties. When concluding financing agreements or extending such agreements, we will depend on our ability to agree on terms for interest payments that will not impair our desired profit and on amortization schedules and that do not restrict our ability to pay distributions. In addition to the variable rate portion of the leaseholds in respect of the Initial Properties, we will enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the current historical low level of interest rates there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us and our Subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by us to Unitholders, increasing the level of competition for capital faced by us, which could have a material impact on the trading price of the Units.

Acquisitions of properties may expose us to undisclosed defects and obligations

Our external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. We intend to make acquisitions and dispositions of properties in accordance with our external growth strategy. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as our ability to realize our anticipated growth opportunities and synergies from our newly acquired properties.

Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, we could acquire a property that contains undisclosed defects in design or construction. Furthermore, we are not always able to obtain from the seller the records and documents that we need in order to fully verify that the buildings we acquire were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks

might not be or might not have been, recognized or correctly evaluated. Thus, we could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties. In addition, after the acquisition of a property by us, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that we acquire may decline during its ownership, and rents that are in effect at the time a property is acquired may decline thereafter. For these reasons, among others, our property acquisitions may cause us to experience losses. If we are unable to manage our growth and integrate our acquisitions effectively, our investments, operating results and financial condition could be adversely affected.

If we discover, during the course of a refurbishment or modernization, that a building we acquired is subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the refurbishment or modernization process, the inability to carry out particular refurbishment or modernization measures, and also significantly higher costs for the particular project. These factors could result in us being unable to perform our contractual obligations to a tenant, with the consequence that the tenant's obligation to make payments would be excused or deferred. The same would be true if the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements. We will continually assess the value and contribution of our properties and may dispose of properties from time to time if determined to be in our best interests. Depending on the state of the market for these types of properties, if disposed of, we may realize less than our carrying value in our financial statements.

Limitations of appraisals and engineering and environmental reports

In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised value of the Initial Properties are correct or that such valuation actually reflects an amount that would be realized upon a current or future sale of the Initial Properties or that any projections included in the Appraisal will be attainable. Moreover, the appraised value of the Initial Properties may be significantly higher than the amount that can be obtained from the sale of the Initial Properties under a distress or liquidation sale. As a result, the fair market value of the Initial Properties shown on the Appraisals may be an unreliable indication of its current market value. The environmental and property condition assessment reports represent only the analysis of the individual engineers or site inspectors preparing such reports, and may not reveal all necessary or desirable repairs, maintenance or capital improvement items. The environmental reports and property condition assessment reports were obtained at the dates noted in this prospectus and have not been subsequently updated. Generally, reports such as the Appraisals, environmental reports and property condition assessment reports are subject to material contractual limitations on the persons entitled to rely on such reports and on amounts that may be claimed thereunder in the event of any error or omission in such reports. As a result, it is unlikely that investors will have any right to recover any losses from any such error or omission against the parties who prepared the Appraisals, environmental reports and property condition assessment reports.

We rely on Inovalis for management services

We rely on Inovalis with respect to the asset management of our properties and the property management of the Initial Properties. Consequently, our ability to achieve our investment objectives depends in large part on Inovalis and its ability to advise us. This means that our investments are dependent upon Inovalis' business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If we were to lose the services provided by Inovalis or its key personnel, our investments and growth prospects may decline. We may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another manager. If Inovalis should cease for whatever reason to be the manager (including if Inovalis determines to internalize management), the cost of obtaining substitute services may be greater than the fees we will pay Inovalis under the Management Agreement, and this may adversely impact our ability to meet our objectives and execute our strategy which could materially and adversely affect our cash flows, operating results and financial condition. Prospective investors should not purchase any Units unless they are prepared to rely on our Trustees, executive officers and Inovalis.

While the Trustees have similar oversight responsibility with respect to the services provided by Inovalis pursuant to the Management Agreement, the services provided by Inovalis will not be performed by employees of the REIT, but

by Inovalis directly and through entities to which it may subcontract. Further, the foregoing arrangements are subject to limited termination rights in favour of the REIT. See "Relationship with Inovalis". As a result, Inovalis, directly and through entities to which it may subcontract, will have the ability to influence many matters affecting the REIT and the performance of its properties now and in the foreseeable future.

In addition to its right to internalize management at any time, Inovalis will have the right to terminate the Management Agreement upon 180 days' prior written notice to the REIT.

Losses of key personnel may affect our ability to operate

Our operations are dependent upon the participation of our key personnel, including the key employees of Inovalis. While we believe that we could find replacements for these employees, the loss of their services and our inability to attract and retain qualified and experienced personnel may materially affect our ability to operate and expand which could materially and adversely affect our operating results and financial condition.

Failure of technology, human processes or external events may lead to direct or indirect losses

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Our Trustees, executive officers and representatives of Inovalis may be put in a position of conflict as a result of their positions held and interests in other businesses

Certain of our Trustees and executive officers are also trustees, directors and/or officers of Inovalis, entities affiliated with Inovalis or other entities or are otherwise engaged, and may continue to be engaged, in activities that may put them in conflict with our investment strategy. In addition, these individuals may hold equity in or positions with other companies managed by Inovalis or its Affiliates and, accordingly, these individuals may not devote all of their time and attention to us. Consequently, these positions or equity interests could create, or appear to create, conflicts of interest with respect to matters involving us or Inovalis or its Affiliates.

Pursuant to the Declaration of Trust, all decisions to be made by the Trustees which involve us are required to be made in accordance with the Trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the unitholders. In addition, our Trustees and officers are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest. However, there can be no assurance that the provisions in the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in our favour.

Inovalis provides management services to other public and private companies. As manager for other entities and on its own behalf, Inovalis will pursue other business opportunities, including but not limited to real estate and development business opportunities outside of the REIT. These multiple responsibilities to public companies and other businesses could create competition for the time and efforts of Inovalis which could materially and adversely affect our cash flows, operating results and financial condition.

Concentration of properties in France and Germany may adversely affect our financial performance

All of the Initial Properties are located in France and Germany and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in France and Germany. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of the Initial Properties, a number of the Initial Properties could experience any of the same conditions at the same time. If real estate conditions in France and Germany decline relative to real estate conditions in other regions, our cash flows, operating results and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

Competition in the French and German real estate market may adversely affect our financial performance

The real estate markets in France and Germany are highly competitive and fragmented and we will compete for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) and other entities which are seeking or may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. Some of the properties owned by our competitors are better located, better quality or less leveraged than the properties owned by us. Some of our competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition and our ability to make distributions on the Units.

We may not be able to source suitable acquisitions

Our strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If we are unable to manage growth effectively, it could adversely impact our cash flows, financial condition and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that we will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to holders of Units will increase in the future.

Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

We will carry general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar real estate portfolios in France and Germany and otherwise acceptable to the Trustees. For the property risks we intend to carry "Multi-Risk" property insurance including but not limited to, natural catastrophic events and loss of rental income insurance (with at least a 12 to 18-month indemnity period). We also intend to carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We intend to partially self-insure against terrorism risk for our entire portfolio. We will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We will not carry title insurance on the Initial Properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

Investments through joint venture, partnership and co-ownership agreements may restrict our ability to deal with a property or expose us to liability

From time to time we may choose to enter into any of such arrangements in respect of future acquisitions of properties. A joint venture or partnership involves certain additional risks, including, (a) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with us or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments, (b) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by us or for which it will be liable and/or result in its suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (c) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of, the ventures or partnerships, expose or subject us to liability, and (d) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the

joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis we desire.

We may not be able to fully manage internal controls

Effective internal controls are necessary for us to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our consolidated financial statements and adversely affect the trading price of the Units.

IFRS reporting may result in our balance sheet and net income being subject to increased volatility as the fair value of our portfolio changes

The fair value of our properties is dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the Initial Properties, the availability and cost of financing and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by us, may have a material impact to the fair value of our properties. Our chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value" (as opposed to "book value" as was the case under Canadian generally accepted accounting principles) with changes in fair value being recorded in income in the period of change. Accordingly, our balance sheet and net income will be subject to increased volatility as the fair value of its real estate portfolio changes and these changes may be material.

Regulatory requirements may limit a future change of use for some Initial Properties

A change of use of the Initial Properties may be limited by several regulatory requirements, including monument protection regulations, urban development regulations, specific limitations for postal buildings and general planning law requirements. This may therefore inhibit our ability to re-lease vacant space to subsequent tenants, or may adversely affect our ability to sell, lease or finance the affected Initial Properties.

Legal proceedings in the normal course of our operations may result in claims against us

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

Risks Relating to the Offering and the Acquisition

Absence of a prior public market and determination of offering price

As at the date of this prospectus, there is no public market for the Units. The offering prices of the Units offered hereunder were determined by negotiation between us, Inovalis and the Underwriters. We cannot predict at what prices the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such market will be sustained at the offering prices.

A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate properties. Accordingly, the Units may trade at a premium or a discount to values implied by the valuations of our assets. The market prices of the Units could be subject to wide fluctuations.

A factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, general market conditions, fluctuations in the markets for equity or debt securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the our control could materially and adversely affect the trading value of the Units.

The ability of Unitholders to redeem Units is subject to restrictions on redemption

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units will liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (a) the total amount payable by us in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitations may be waived at the discretion of the Trustees); (b) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for such series of the Units; and (c) the normal trading of the Units is not suspended or halted on any stock exchange on which such Units are listed (or, if not listed on a stock exchange, on any market on which such Units are quoted for trading) on the Redemption Date or for more than five trading days during the 20-day trading period commencing immediately after the Redemption Date.

Structural subordination of the Units may limit our ability to pay distributions

In the event of a bankruptcy, liquidation or reorganization of us or any of our Subsidiaries, holders of our indebtedness and our trade creditors will generally be entitled to payment of their claims from our assets and those of our Subsidiaries before any assets are made available for distribution to us or our Unitholders. Upon completion of the Offering, the Units will be subordinated to the debt and other obligations of us and our Subsidiaries. We and our Subsidiaries will generate all of our revenue available for distribution and hold substantially all of our operating assets.

Cash distributions are not guaranteed and may fluctuate with our financial performance

Our distribution policy is established in the Declaration of Trust and may only be changed with the approval of a majority of unitholders. However, the Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse impact on the market price of the Units.

Although we intend to make cash distributions in accordance with our distribution policy, the actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to us by our operating entities and can vary significantly from period to period for a number of reasons, including among other things: (a) the amount of net rental income derived from our properties; (b) the amount of cash required or retained for debt service or repayment; (c) amounts required to fund capital expenditures and working capital requirements; (d) tenant allowances; (e) leasing commissions; (f) Unit redemptions; (g) foreign currency exchange rates and interest rates; (h) the level of foreign taxes, if any, payable by a Subsidiary and (i) other factors that may be beyond our control. These amounts are subject to the discretion of the Trustees, which will regularly evaluate our distribution payout with respect to anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions and expenditures. In addition, our level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on our operations and the performance of our assets. The market value of the Units may deteriorate if we are unable to meet distribution expectations in the future and such determination may be material.

Historical financial information and pro forma financial information may not be indicative of future results

The historical financial information relating to the Initial Properties included in this prospectus has been derived on a historical basis from the historical accounting records of the Initial Properties. We believe that Management of the Initial Properties have made reasonable assumptions underlying the historical financial statements. However, the historical financial statements may not reflect what our financial position, results of operations or cash flows would have been had we owned the Initial Properties during the historical periods presented or what our financial position, results of operations or cash flows will be in the future. The historical financial statements do not contain any adjustments to reflect changes that may occur in our cost structure, financing and operations as a result of the acquisition of the Initial Properties.

In preparing the *pro forma* financial information included in this prospectus, we have given effect to, among other items, the Offering and the closing of the Acquisition. The estimates used in the *pro forma* financial information may not be similar to our actual experience.

Our financial forecast may not be accurate

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary from the forecast results and those variations may be material. We give no representation that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward-Looking Information" and "Financial Forecast".

Unitholders do not have legal rights normally associated with ownership of shares of a corporation

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against us. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, we are not a trust company and, accordingly, are not registered under any trust and loan company legislation as we do not carry on or intend to carry on the business of a trust company.

Unitholder liability may arise

The Declaration of Trust provides that no holder of REIT Units or annuitant or beneficiary of a trust governed by a Plan/or of any Plan of which a holder of REIT Units acts as an annuitant will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of REIT Units or annuitant for any liability whatsoever, whether constituting extra contractual or contractual liability or arising in tort, contract or otherwise, to any Person in connection with our property or our affairs, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of us or of the Trustees or any obligation which a holder of REIT Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such ("**Trust Liability**"). Only our assets are intended to be liable and subject to levy or execution for satisfaction of such Trust Liability. Each holder of REIT Units and annuitant will be entitled to be reimbursed out of our assets in respect of any payment of such Trust Liability made by such holder of REIT Units or annuitant.

The Declaration of Trust further provides that the Trustees shall cause our operations to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of REIT Units, any material risk of liability on the holders of REIT Units for claims against us, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by us, to the extent applicable, to cover the holders of REIT Units and annuitants as additional insured.

However, in conducting our affairs, we will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the unitholders or annuitants personally. However, we may not be able to obtain such modification in all cases. If a claim is not satisfied by us, there is a risk that a unitholder or annuitant will be held personally liable for the performance of the obligations of us where the liability is not disavowed as described above. The possibility of any personal liability attaching to unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

The issuance of additional REIT Units will result in dilution

The number of REIT Units we are authorized to issue is unlimited. We may, in our sole discretion, issue additional REIT Units from time to time. Any REIT issuance of REIT Units, including Units issued in consideration for properties acquired by us, will have a dilutive effect on existing unitholders.

Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or our termination

Upon a redemption of REIT Units or termination of the REIT, the Trustees may distribute securities directly to the unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Certain closing risks may affect our financial condition

We will assume liabilities in connection with the assignment of the French Leaseholds pursuant to the Assignment Agreements and our acquisition of the Hanover Leasehold pursuant to the German Purchase Agreement, some of which may be unknown liabilities that could be significant.

Pursuant to the Assignment Agreements and the German Purchase Agreement, the French Inovalis Vehicles and the German Inovalis Vehicle have made declarations or representations and warranties, as applicable, to us with respect to certain matters. There can be no assurance that we will be fully protected in the event of a breach of such declarations or representations and warranties or if such circumstances should occur that the Vendors will be in a position to indemnify us in any such event. We may not be able to successfully make a contractual claim under the Assignment Agreements or the German Purchase Agreement against the Vendors or the. Moreover, even if we are successful, there are no assurances that the assets of such parties will be sufficient to satisfy such obligations. In addition, we may be subject to undisclosed liability to third parties and such liability may be material, which could negatively impact our financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Limitations on enforcement of certain civil judgments by Canadian investors

Inovalis and the REIT's Subsidiaries are organized under the laws of France, Germany and Luxembourg. All of the assets of Inovalis and the REIT's Subsidiaries are located outside of Canada and certain of their Trustees, directors and officers, as well as certain of the experts named in this prospectus, are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon Inovalis, the REIT's Subsidiaries or their respective Trustees, directors, officers and experts who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws. There is some doubt as to the enforceability in Europe by a court in original actions, or in actions to enforce judgements of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws.

Risks Relating to Tax Matters

Taxation of Trusts

The REIT intends to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

Application of the SIFT Rules

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

FAPI

The REIT's "participating percentage" (as defined in the Tax Act) of FAPI earned by CFAs of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by the REIT, thereby increasing the allocation of income to the REIT and, therefore, the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada and in Canadian currency (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders.

Foreign Currency

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

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative policies and assessing practices and policies of the CRA, Finance and any foreign tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us, and amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on our taxation. Furthermore, court decisions are often overruled by the tax authorities by way of issuing non-application decrees. As a result, major uncertainties exist with regard to the taxation rules applicable to us and our Subsidiaries. Deviating views adopted by the tax authorities or the tax courts might lead to a higher tax burden for us. Additionally, if adverse changes in the tax framework should occur, or if we are subject to tax audits or reassessments that result in the imposition of taxes individually or together, this could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this prospectus does not describe the tax consequences under the Tax Act to Non-Residents, which may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

Taxation of the REIT and the REIT Subsidiaries

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

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

Qualified Investors

We will endeavor to ensure that the Units continue to be qualified investments for Plans; however, there can be no assurance in this regard. In addition, Redemption Notes or other property received on an in specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

German Taxes

As described under the heading "Certain Non-Canadian Income Tax Considerations – Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations", the German SPV would be subject to municipal trade tax ("**TT**") if it acts through a German permanent establishment. We have assumed that the German SPV will not be subject to TT based on our current understanding of the structure. On an ongoing basis, we intend to manage our affairs in a manner consistent with this assumption, with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany and to mitigating the risk that the German SPV is subject to TT. However, no assurances can be given that the German SPV will not be subject to TT. If it is determined that the German SPV does have a permanent establishment in Germany and it would gain a taxable profit for TT purposes, the overall German income tax burden would increase substantially from 15.825% to a rate that ranges between approximately 23% and 33%, depending on the German municipality in which such permanent establishment is located. If the German SPV is subject to TT, it could materially and adversely affect our cash flows, financial condition and distributions to Unitholders.

As described under the heading "Certain Non-Canadian Income Tax Considerations – Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations", the intended treatment of the lease structure is that the Hanover Owner still qualifies as the beneficial owner of the Hanover Property for German tax purposes. Accordingly, such characterization has been assumed in historical tax filings and will be reflected going forward. However, no assurances can be given that the German tax authorities will agree with this characterization. If the German tax authorities challenge this position, it may adversely impact the past, current and future tax treatment and may result in increased tax payments. Any challenge in this regard could materially and adversely affect our cash flows, financial condition and distributions to Unitholders.

RETT generally applies where there is a transfer of legal title of properties from one legal person to another. If the German SPV exercises the purchase option in respect of the Hanover Property (see "Certain Non-Canadian Income Tax Considerations – Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations"), legal title to German real estate would be transferred and, consequently, RETT would be payable in connection therewith. The rate of RETT is currently 4.5%. Moreover, no assurances can be given that the applicable rate of RETT will not increase. The payment of RETT could materially and adversely affect our cash flows, financial condition and distributions to Unitholders.

MATERIAL CONTRACTS

The material contracts entered into or to be entered into by the REIT or its Subsidiaries are as follows:

1. the Declaration of Trust described under "Declaration of Trust and Description of REIT Units";
2. the Management Agreement described under "Relationship with Inovalis – Management of the REIT";
3. the Assignment Agreements described under "Acquisition of the Initial Properties";
4. the German Purchase Agreement described under "Acquisition of Interest in the Initial Properties";
5. the Underwriting Agreement described under "Plan of Distribution";
6. the Exchange Agreement described under "Retained Interest";
7. the License Agreement described under "Relationship with Inovalis – Management of the REIT"; and
8. the Vendor Leases, described under "The Initial Properties – Vendor Leases";

Copies of the foregoing documents will be available on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, no Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the REIT Units, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect the REIT, any of its Subsidiaries.

PROMOTER

Inovalis has taken the initiative in founding and organizing the REIT and is therefore a promoter of the REIT for the purposes of applicable securities legislation. A description of the nature of the relationship between Inovalis and the REIT is described under “Relationship with Inovalis – Management of the REIT”.

PRINCIPAL UNITHOLDERS

On Closing, Inovalis will hold an approximate 10% ownership interest in the REIT on a fully exchanged basis (including if the Over-Allotment Option is exercised in full) through the ownership of Exchangeable Securities (being all the securities of that class). See “Relationship with Inovalis”. To the knowledge of our Trustees and executive officers, no other person or company will own, directly or indirectly, more than 10% of the REIT Units immediately following Closing.

PRIOR SALES

On February 8, 2013 in connection with the establishment and organization of the REIT, the REIT issued one Unit to the initial unitholder for $10.00 in cash, being a price of $10.00 per Unit.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

LEGAL MATTERS AND INTEREST OF EXPERTS

Certain legal matters relating to the issue and sale of the Units, will be passed upon on our behalf by Goodmans LLP, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

The Appraisals have been prepared by Jones Lang LaSalle and REAG GmbH Real Estate Advisory Group Germany. Upon Closing, the employees of Jones Lang LaSalle and REAG GmbH Real Estate Advisory Group, as a group, will each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

As of the date of this prospectus, none of the partners or associates of Goodmans LLP or the partners or associates of Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, any securities of the REIT. Upon Closing, the partners and associates of Goodmans LLP, as a group and the partners and associates of Blake, Cassels & Graydon LLP, as a group, will each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are Ernst & Young, Société Anonyme, Cabinet de révision agréé, located at 7, Rue Gabriel Lippmann, Parc d’Activité Syrdall 2, L - 5365 Munsbach, Luxembourg who were appointed as our auditors on

February 28, 2013 and are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants in Ontario and the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal office located in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF TERMS

"**1933 Act**" means the United *States Securities Act of 1933*, as amended;

"**Acquiring Person**" means any person who is or becomes the beneficial owner of 20% or more of all REIT Units, as more particularly described under ''Unitholders' Rights Plan'';

"**Acquisition**" means the purchase of the French Leaseholds by the French SPVs and the purchase of the Hanover Leasehold by the German SPV;

"**Acquisition Fee**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT":

"**Advance Notice Provision**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Advance Notice Provision";

"**Adyal**" means collectively, "Adyal Facilities, SAS, Nanterre Registry of Commerce 380 375 014, Adyal Property Management, SAS, Nanterre Registry of Commerce 479 119 174, Urbania Adyal Developpement, SAS, Nanterre Registry of Commerce 479 119 190, Urbania Campus, SAS and Ametis, SAS, Nanterre Registry of Commerce 479 119 513.

"**Affiliate**" has the meaning given to that term in NI 45-106;

"**AFFO**" has the meaning given to that term under "Non-IFRS Measures";

"**Annual Asset Management Fee**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT":

"**annuitant**" means any plan of which a holder of Units acts as a trustee or a carrier;

"**Appraisals**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**Appraisers**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**Assignment Agreements**" has the meaning given to that term under "Acquisition of the Interest in the Initial Properties – French Properties;

"**Assurbail**" means Assurbail, a subsidiary of Caisse National de Prevoyance;

"**BNP Paribas Leasing Solutions**" means BNP Paribas Leasing Solutions (a subsidiary of BNP Paribas S.A.), or a subsidiary thereof;

"**Board of Trustees**" means the board of Trustees of the REIT;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, on which Canadian chartered banks are generally open in the City of Toronto in the Province of Ontario for the transaction of banking business;

"**capital gains refund**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**CDS**" means Clearing and Depository Services Inc.;

"**CDS-Registered Unit Certificate**" has the meaning given to the phrase under "Plan of Distribution – Book Based System";

"**CFA**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"**Cicobail**" means Cicobail, a subsidiary of Crédit Foncier de France;

"**Closing**" means the closing of the Offering and the Acquisition, and is expected to be on or about April 10, 2013;

"**Closing Market Price**" has the meaning given to the term under "Declaration of Trust and Description of Units – Redemption Right";

"**Code of Conduct**" has the meaning given to that term under "Trustees and Executive Offices – Governance and Board of Trustees";

"**Competing Permitted Bid**" means a competing Permitted Bid made while a Permitted Bid is in existence, as more particularly described under "Unitholders' Rights Plan – Permitted Bid Requirements";

"**Construction Management Fee**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT";

"**Counsel**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**CRA**" means the Canada Revenue Agency;

"**Credit Agricole Leasing & Factoring**" means Credit Agricole Leasing & Factoring (a subsidiary of Credit Agricole S.A.), or a subsidiary thereof;

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT to be entered into at Closing, as described under "Declaration of Trust and Description of REIT Units";

"**Direct Comparison Method**" is a valuation method which estimates the value of a particular property by comparing that property to property sale listings of comparables in the marketplace;

"**Discounted Cash Flow Method**" is a valuation method which discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property;

"**Distribution Date**" means date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders;

"**Distribution Record Date**" means, unless otherwise determined by our Trustees, the last Business Day of each month of each year, except for the month of December where the Distribution Record Date shall be December 31;

"**Dubonnet Leasehold**" means the leasehold interest in the Dubonnet Property to be acquired by one of the French SPVs pursuant to the Acquisition;

"**Dubonnet Property**" means the Initial Property located at the address municipally known as 19/21 avenue Dubonnet, 92400 Courbevoie, France;

"**Equivalent Securities**" means the Exchangeable Securities attached to Special Voting Units;

"**EU**" means European Union;

"**Euribor**" means the average interest rate at which a large group of European banks borrow funds from one another. Euribor rates are considered to be one of the most important reference rates in the European money market and provide the basis for the price and interest rates of various financial products, including interest rate swaps and interest rate futures.

"**Exchange Agreement**" means the exchange agreement to be entered into at Closing between the REIT and Inovalis as described under "Retained Interest";

"**Exchange Right**" has the meaning given to the term under "Declaration of Trust and Description of REIT Units";

"**Exchangeable Securities**" means the Luxco Notes, the NIB Notes and the Luxco Common Shares to be held by Inovalis, which shall, in the aggregate, have economic entitlements equivalent to that of Inovalis' proportionate number of Units (on a fully-exchanged basis);

"**FAPI**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"**Fee Escrow**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT";

"**FFO**" has the meaning given to that term under "Non-IFRS Measures";

"**Finance**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**Flip-in Event**" means the acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the REIT Units, other than by way of a Permitted Bid in certain circumstances, as more particularly described under "Unitholders' Rights Plan – Rights Exercise Privilege";

"**France Telecom**" means France Telecom S.A.;

"**French Appraiser**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**French Appraisals**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**French ICC**" means the indice du cout de la construction or the French ICC construction cost index;

"**French Inovalis Vehicle**s" means the entities that currently own the French Properties pursuant to the French Leaseholds;

"**French Leaseholds**" means, collectively, the Dubonnet Leasehold, the Jeûneurs Leasehold and the Vanves Leasehold;

"**French Properties**" means, collectively, the Dubonnet Property, Jeûneurs Property and Vanves Property;

"**French SPV**" means an indirect, wholly-owned subsidiary of Luxco formed under French law for the purpose of acquiring one of the French Leaseholds;

"**GDP**" means gross domestic product;

"**Genefim**" means GENEFIM S.A. (a subsidiary of Société Générale), or a subsidiary thereof;

"**German Appraiser**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**German Appraisal**" has the meaning given to that term under "Assessment of Initial Properties – Property Appraisals";

"**German Inovalis Vehicle**" means WEL 6 S.à.r.l, a corporation formed under French Law;

"**German Purchase Agreement**" has the meaning given to that term under "Acquisition of the Interest in the Initial Properties – Hanover Property";

"**German SPV**" means a société a responsabilité limité initially formed under Luxembourg law and that will, on Closing, be transferred to and become a wholly-owned subsidiary of Luxco and acquire the Hanover Leasehold. For purposes of the historical financial statements, "German SPV" is referred to as "Cancorpgermany";

"**GLA**" means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

"**Global Unit Certificate**" means one or more global unit certificates;

"**Grandfathered Person**" means any person who owns, directly or indirectly, 20% or more of the Units on Closing, as more particularly described under "Unitholders' Rights Plan – Acquiring Person";

"**Gross Book Value**" means, at any time, the book value of the assets of the REIT and its Subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization in respect of the REIT's properties (and related intangible assets) shown thereon or in the notes thereto, less (a) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT and (b) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties; provided however that, if approved by a majority of the Trustees, the appraised value of the assets of the REIT and its Subsidiaries may be used instead of book value;

"**Gross Income**" means rental income plus service charge income;

"**Gross Revenue**" means all revenue received or receivable from the real properties owned directly or indirectly by the REIT, including (i) VAT; (ii) recoveries, related proceeds of business or rental interruption insurance after deduction for insurance deductibles and excluding (iii) actual bad debts, gains on sales, and the differential between in-place rents and below or above market rents, determined in accordance with the applicable accounting principles of the Partnership at the time of the calculation;

"**Hanover Due Diligence Report**" means the report on the Hanover Property conducted by an independent Luxembourg-based real estate consultant dated May 3, 2012;

"**Hanover Leasehold**" means the leasehold interest in, and usufructus (or the right of enjoyment) in respect of, the Hanover Property to be acquired by the German SPV under the Acquisition;

"**Hanover Owner**" means the entity that holds title to the Hanover Property, 6% of the limited partnership interests (*Kommanditanteile*) of which are owned by a subsidiary of Inovalis but which have been pledged for security to Genefim, 99% of the limited partnership interests (*Kommanditanteile*) of which have been assigned for security to Genefim and the remaining 1% of which are owned by Genefim;

"**Hanover Property**" means the Initial Property located at the address municipally known as Hans-Boeckler-Allee 11, 30173, Hanover, Germany;

"**Historical Gross Purchase Price**" means the historical price of the real estate plus taxes and legal and administrative costs and, for such purposes and without limitation, (i) if a leasehold interest is acquired, the historical price of the real estate shall be calculated based on the purchase price of the leasehold interest plus the difference between the purchase price of the leasehold interest and the value of the real estate, and (ii) if a freehold interest is acquired, the historical price of the real estate shall be calculated based on the purchase price of the real estate (including the assumption of debt);

"**Holder**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**IAS**" means International Accounting Standards;

"**IASB**" means International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook – Accounting, as amended from time to time;

"**IFRIC**" means the International Financial Reporting Interpretations Committee;

"**ILAT**" means indice des loyers d'activité tertiaire or the French ILAT office rental index;

"**Indebtedness**" means (without duplication) on a consolidated basis:

(A) any obligation of the REIT for borrowed money;

(B) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

(C) any obligation of the REIT issued or assumed as the deferred purchase price of property;

(D) any capital lease obligation of the REIT; and

(E) any obligation of the type referred to in clauses (A) through (D) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable,

provided that (i) for the purposes of (A) through (D), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (A) through (C) exclude trade accounts payable, distributions payable to Unitholders and holders of securities exchangeable into Units and accrued liabilities arising in

the ordinary course of business; (iii) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (iv) exchangeable securities issued by Subsidiaries will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS;

"**Independent Trustees**" means a Trustee who, in relation to the REIT, is "independent" within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as replaced or amended from time to time (including any successor rule of policy thereto);

"**Initial Declaration of Trust**" means the initial declaration of trust of the REIT entered into on February 8, 2013;

"**Initial Properties**" means, collectively, the Dubonnet Property, the Hanover Property, the Jeûneurs Property and the Vanves Property, the leasehold interests of which will be acquired by the REIT at Closing, as described under the heading "Acquisition of the Initial Properties";

"**Initial Retained Interest**" means the ownership by Inovalis of Exchangeable Securities on Closing that are exchangeable, in the aggregate, into approximately 10% of the Units (on a fully-exchanged basis) as described under "Retained Interest";

"**Initial Retained Interest Escrow**" means the three year escrow pursuant to which the Initial Retained Interest will be automatically released on the third anniversary of Closing as described under "Retained Interest";

"**Inovalis**" means Inovalis S.A. and its subsidiaries;

"**Investment Criteria**" means office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($26 million) to €60 million ($78 million) and potential future upside with respect to matters including rent and area development;

"**Investment Guidelines**" has the meaning given to that term under "Investment Guidelines and Operating Policies";

"**Jeûneurs Leasehold**" means the leasehold interest in the Jeûneurs Property to be acquired by one of the French SPVs under the Acquisition;

"**Jeûneurs Property**" means the Initial Property located at the address municipally known as 40, rue des Jeûneurs, 75002 Paris, France;

"**Lead Trustee**" means the lead trustee of the Board of Trustees;

"**Lease Equalization Agreement**" has the meaning given to the term under "Relationship with Inovalis – Lease Equalization";

"**Leaseholds**" means, collectively, the French Leaseholds and the Hanover Leasehold;

"**Leasing Fee**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT":

"**Luxco**" means CanCorpEurope S.A., a public limited liability company currently held by Inovalis pursuant to the laws of Luxembourg and which will be a subsidiary of the REIT on Closing as described under "Our Structure and Formation". For purposes of the historical financial statements, "Luxco" is referred to as "Cancorpeurope";

"**Luxco Common Shares**" means common shares in the capital of Luxco;

"**Luxco Notes**" means notes issued by Luxco bearing interest at a weighted average annual interest rate of approximately 7.8%, having a term of 15 years from Closing (regardless of the issuance date) and in respect of which no principal payments will be required until expiry of the term (although prepayments are permitted at any time, without penalty);

"**Luxembourg**" means the Grand Duchy of Luxembourg;

"**Management Agreement**" means the management agreement to be entered into at Closing between, among others, the REIT and Inovalis, as described under "Relationship with Inovalis – Management of the REIT";

"**Management Fees**" has the meaning given to the term under "Relationship with Inovalis – Management of the REIT";

"**Market Price**" has the meaning given to the term under "Declaration of Trust and Description of Units – Redemption Right";

"**MI 61-101**" means, Multilateral Instrumental 61-101 – *Take-Over Bids and Special Transactions*;

"**named executive officers**" has the meaning given to that term under "Executive Compensation";

"**NI 45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions*;

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*;

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

"**NIB Notes**" means non-interest bearing notes issued by Luxco, having a term of 15 years from Closing (regardless of the issuance date) and in respect of which no principal payments will be required until expiry of the term (although prepayments are permitted at any time, without penalty);

"**NOI**" or "net rental income" means rental income plus service charge income less service charge expenses and other property operating expenses;

"**NOI Margin**" means NOI divided by Gross Income;

"**Nominating Unitholder**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Advance Notice Provision";

"**Notice Date**" has the meaning given to that term under "Declaration of Trust and Description of REIT Units – Advance Notice Provision";

"**OBCA**" means the *Ontario Business Corporations Act*, as amended from time to time;

"**Offering**" means the distribution of the Units under this prospectus;

"**Offering Price**" means the price of $10.00 per Unit;

"**Offeror**" means any person making a take-over bid for Units;

"**Ongoing Retained Interest**" has the meaning given to the term under "Relationship with Inovalis – Ongoing Retained Interest";

"**Ongoing Retained Interest Escrow**" has the meaning given to the term under "Relationship with Inovalis – Ongoing Retained Interest";

"**OPCI**" means the French holding company through which Luxco holds the French SPVs;

"**Operating Policies**" has the meaning given to that term under "Investment Guidelines and Operating Policies";

"**Over-Allotment Option**" has the meaning given to that term under "Plan of Distribution – Over-Allotment Option";

"**PCA Reports**" has the meaning given to that term under "Assessment of Initial Properties – Property Condition Assessments";

"**Person**" includes an individual, body corporate, partnership, limited partnership, joint venture, trust or unincorporated organization, the Crown or any agency or instrumentality thereof, or any other entity recognized by law;

"**Phase I ESA Report**" means a Phase I environmental site assessment report;

"**Phase II ESA Report**" means a Phase II environmental site assessment report;

"**Plans**" means collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans under the Tax Act;

"**Property Management Fee**" means has the meaning given to the term under "Relationship with Inovalis – Management of the REIT";

"**Proposed Amendments**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations";

"**Quadruple Net Lease**" means, with respect to a lease, a lease in which the tenant pays not only for the use of the premises but also for the landlord's operating costs, including, but not limited to, property taxes, building insurance, common area maintenance and utilities; provided that, in the case of the French Environment and Energy Management Agency, no property taxes are payable pursuant to the lease agreement as a result of the French Environment and Energy Management Agency being a French public agency and therefore not being required to pay property taxes. The tenant is also responsible for all repairs (other than repairs of a capital or structural nature) to the leased premises and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and maintenance of parking lots as well as garbage collection;

"Redemption Date" means the date on which Units are surrendered for redemption as described under "Declaration of Trust and Description of REIT Units – Redemption Right";

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus;

"**Redemption Price**" means the price per Unit equal to the lesser of (i) 90% of the "Market Price" of a Unit calculated as of the Redemption Date, and (ii) 100% of the "Closing Market Price" on the Redemption Date, as described under "Declaration of Trust and Description of REIT Units – Redemption Right";

"**REIT**" means Inovalis Real Estate Investment Trust, an unincorporated, open-ended real estate investment trust formed on February 8, 2013 under the laws of the Province of Ontario pursuant to the Initial Declaration of Trust;

"**REIT Subsidiaries**" has the meaning given to that term under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT";

"**REIT Units**" means, collectively, Units and Special Voting Units;

"**Related Party**" means, with respect to any person, a person who is a "related party", as that term is defined in MI 61-101, as such rule may be amended from time to time (and including any successor rule or policy thereto);

"**Restricted Investment**" means an investment in any property that meets the Investment Guidelines of the REIT as described under "Relationship with Inovalis – Right of First Opportunity";

"**RETT**" means German real estate transfer tax (Grunderwerbsteuer);

"**Right of First Opportunity**" has the meaning given to that term under "Relationship with Inovalis – Right of First Opportunity";

"**Rights**" means rights issued pursuant to the Rights Plan;

"**Rights Plan**" means the Unitholders' rights plan of the REIT, to be established at Closing, as more particularly described under "Unitholders' Rights Plan";

“**RRIF**” has the meaning given to that term under “Eligibility for Investment”;

“**RRSP**” has the meaning given to that term under “Eligibility for Investment”;

“**SCI**” means a Société Civile Immobiliére;

“**Securities**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations”;

“**SEDAR**” means the System for Electronic Documents Analysis and Retrieval;

“**Separation Time**” means the time at which the Rights will separate from the Units to which they are attached, as more particularly described under “Unitholders’ Rights Plan – Rights Exercise Privilege”;

“**SIFT**” means a specified investment flow-through trust or partnership for the purpose of the Tax Act;

“**SIFT Rules**” means the provisions of the Tax Act that apply to a SIFT and its investors, taking into account all proposed amendments to such rules;

“**Sparkasse Hannover**” has the meaning given to that term under “The Initial Properties – Tenants Mix – Top Seven Tenants”;

“**Special Voting Unit**” means a unit representing an interest in the REIT (other than Units) authorized and issued under the Declaration of Trust to a holder of Exchangeable Securities which have no economic interest but which provide the Exchangeable Securities holder with the same voting rights in the REIT as a Unit;

“**Standby Credit Facility**” has the meaning given to that term under “Relationship with Inovalis – Standby Credit Facility”;

“**Subsidiary**” has the meaning given to that term in NI 45-106;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time, and the *Income Tax Regulations* (Canada), as amended from time to time, as applicable;

“**Term and Reversion Capitalization Method**” is a valuation method which applies different capitalization rates to current and future income cash flows to reflect the relative security of these income flows. Rental income is valued in period steps, applying the term rate to the current income, which is deemed to be lower risk income, over the period of its duration. A reversion rate is then applied to more uncertain future income likely to be received or rent review or reversion, discounted to a present value;

“**TFSA**” has the meaning given to that term under “Eligibility For Investment”;

“**Triple Net Leases**” means, with respect to a lease, a lease in which the tenant pays not only for the use of the premises but also for the landlord’s operating costs, including, but not limited to, property taxes, building insurance and common area maintenance; provided that, in the case of the French Environment and Energy Management Agency, no property taxes are payable pursuant to the lease agreement as a result of the French Environment and Energy Management Agency being a French public agency and therefore not being required to pay property taxes. The tenant is also responsible for all repairs (other than repairs of a capital or structural nature) to the leased premises and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and maintenance of parking lots as well as garbage collection;

“**Trustees**” means the trustees of the REIT from time to time;

“**Trust Liability**” has the meaning given to that term under “Risk Factors – Risks Relating to the Offering and the Acquisition – Unitholder liability may arise”;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means, collectively, Desjardins Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Laurentian Bank Securities Inc., UBS Securities Canada Inc., Manulife Securities Incorporated, Burgeonvest Bick Securities Limited, Industrial Alliance Securities Inc. and Mackie Research Capital Corporation;

“**Underwriting Agreement**” means the underwriting agreement dated March 28, 2013 between the REIT, Inovalis and the Underwriters, as described under “Plan of Distribution”;

"**Unit**" or "**Units**" means a unit representing an interest in the REIT (other than Special Voting Units) authorized and issued under the Declaration of Trust;

"**Unitholders**" means holders of Units, but "unitholders", when used in lower case type, refers to holders of REIT Units;

"**U.S.**" or "**United States**" means the United States of America; and "**U.S. person**" means an individual, a partnership, a joint venture, a corporation and any other entity or "group" (as such term is defined in Rule 13d-5(b)(1) of the *Securities Exchange Act of 1934*, as amended;

"**Vanves Leasehold**" means the leasehold interest in the Vanves Property to be acquired by one of the French SPVs under the Acquisition;

"**Vanves Property**" means the Initial Property located at the address municipally known as Le Berry-Artois, 2-4, rue Auguste Comte, 92170 Vanves and Le Bearn, 6, rue Auguste Comte, 92170, Vanves;

"**Vendor Leases**" has the meaning given to that term under "The Initial Properties — Vendor Leases";

"**Vendors**" means, collectively, the French Inovalis Vehicles and the German Inovalis Vehicle, and "Vendor" means each individually;

"**VWAP**" means the volume weighted average trading price of Units on the REIT's primary stock exchange; and

"**Westcon Europe**" has the meaning given to that term under "The REIT – Investment Highlights – Initial Portfolio Provides Strong Stable Operating Fundamentals with Established and Diverse Tenant Profile".

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Financial Statements of
Inovalis Real Estate
Investment Trust

Inovalis Real Estate Investment Trust

Financial statements as at February 8, 2013

Independent auditors' report

To the Board of Trustees,

We have audited the accompanying financial statements of Inovalis Real Estate Investment Trust, which comprise the balance sheet as at February 8, 2013, and the statement of changes in unitholder's equity and the statement of cash flows for the one day period ended February 8, 2013 and the related notes including a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at February 8, 2013 and its financial performance and its cash flows for the one day period ended February 8, 2013 in accordance with International Financial Reporting Standards.

Luxembourg, March 28, 2013

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
Werner Weynand

Inovalis Real Estate Investment Trust
Balance Sheet (in Canadian dollars)
As at February 8, 2013

Cash	$10
TOTAL ASSETS	$10
Trust Units	$10
UNITHOLDER'S EQUITY	$10

Inovalis Real Estate Investment Trust
Statement of Changes in Unitholder's Equity (in Canadian dollars)
One day period ended February 8, 2013

ISSUANCE OF UNITS ON FORMATION	$10
UNITHOLDER'S EQUITY END OF PERIOD	$10

Inovalis Real Estate Investment Trust
Statement of Cash Flows (in Canadian dollars)
One day period ended February 8, 2013

FINANCING ACTIVITIES

Issuance of Units	$ 10
Net increase in cash	$ 10
Cash, beginning of period	—
CASH, END OF PERIOD	$ 10

Notes to the Financial Statements
(in Canadian dollars unless otherwise stated except Unit or per Unit amounts)

1. Organization and purpose of the Trust

Inovalis Real Estate Investment Trust (the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013 when one Unit was issued for $10 cash to Daniel Argiros. The REIT was established under the laws of the Province of Ontario, and is domiciled in Canada.

The address of the REIT's registered office is 333 Bay Street, Suite 3400, Toronto, Ontario, Canada M5H 2S7. The REIT's financial statements as at February 8, 2013 were authorized for issue by the Board of Trustees on March 28, 2013.

The objective of the Trust is the investing of its assets, the maintaining, improving, leasing or managing of any real property or any combination of such activities.

2. Significant Accounting Policies

Basis of presentation

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

Unitholder's equity

The REIT is authorized to issue an unlimited number of units ("Units"). The beneficial interests of the Trust are divided into a single class of units which represent a unitholders' proportionate undivided beneficial interest in the Trust. No unit has any preference over any other unit. Each unit confers the right to one vote at any meeting of unitholders and to participate prorata in any distributions by the Trust and, in the event of termination of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities of the Trust. The units of the Trust are redeemable at the demand of the unitholders at the fair market value of the units at that time.

The REIT classifies issued Units as equity in the balance sheet. The Units are puttable financial instruments because of the Unitholder's option to redeem Units, at any time, at a redemption price per unit equal to the fair market value of the units at that time. The REIT has classified the Units as equity pursuant to the provisions of IAS 32, *Financial Instruments: Presentation*, on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption".

The criteria in IAS 32 are as follows:

- The Units entitle the Unitholder to a pro rata share of the REIT's net assets in the event of the REIT's termination. The REIT's net assets are those assets that remain after satisfaction of all liabilities of the Trust;
- The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments (including these Units) in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the REIT to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the REIT, and it is not a contract that will or may be settled in the REIT's own instruments; and
- The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss and the change in the recognized net assets of the REIT over the life of the Units.

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

Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising on the issue of Units are recognized directly in Unitholder's equity as a reduction of the proceeds received.

3. Subsequent Events

On March 28, 2013, the REIT entered into an underwriting agreement, whereby the REIT is expected to raise gross proceeds of CAD$105,000,000 through the issuance of 10,500,000 Units at CAD$10 per Unit pursuant to an initial public offering ("the offering").

Concurrent with the issuance of Units to the public, Inovalis is expected to contribute a total of CAD$12,000,000 including common shares in Luxco (a subsidiary of the REIT), interest bearing notes issuable at a weighted average annual interest rate of approximately 7.8% and interest free notes.

The closing (the "Closing") of the transactions contemplated by the prospectus is scheduled to occur no later than April 10, 2013.

Unaudited *Pro Forma* Consolidated Financial Statements

Unaudited *Pro Forma* Consolidated Balance Sheet

As at September 30, 2012

As of September 30, 2012	(in CAD$)	(in thousands of Euros)				(in thousands of CAD$)			(in thousands of CAD$)
Unaudited in thousands of Canadian dollars unless otherwise stated	**REIT**	**PREI Portfolio Group**	**Hawaz Portfolio Group**	**Wel 6**	**Asterisk Portfolio**	**Asterisk Portfolio**	***Pro forma* Adjustments**	**Note**	**Consolidated *Pro forma***
									Unaudited
Assets									
Non-current assets									
Investment property	—	56,172	75,546	20,445	152,163	192,425	12,534	*3(f)*	204,959
Total non-current assets	**—**	**56,172**	**75,546**	**20,445**	**152,163**	**192,425**	**12,534**		**204,959**
Current assets									
Trade and other receivables	—	5,009	1,258	280	6,548	8,280	(8,280)	*3(d)*	—
Financial asset	—	167	—	—	167	211	(211)	*3(d)*	—
Cash from tenant deposit	—	—	—	—	—	—	1,074	*3(e)*	1,074
Cash and cash equivalents	10	776	7,767	108	8,651	10,940	(3,117)	*3(d)(i)*	7,823
Total current assets	**10**	**5,952**	**9,025**	**388**	**15,366**	**19,432**	**(10,535)**		**8,897**
Total assets	**10**	**62,125**	**84,571**	**20,833**	**167,529**	**211,857**	**1,999**		**213,856**
Equity and Liabilities									
Unitholders' Equity									
Asterisk Portfolio Equity	**—**	**(9,901)**	**14,892**	**(3,625)**	**1,365**	**1,727**	**(1,727)**	*3(d)*	**—**
Unitholders' Equity	**10**	**—**	**—**	**—**	**—**	**—**	**100,750**	*3(a)(h)*	**100,750**
Total equity	**10**	**(9,901)**	**14,892**	**(3,625)**	**1,365**	**1,727**	**99,024**		**100,750**
Liabilities									
Non-current liabilities									
Finance lease liabilities	—	27,811	39,357	16,424	83,592	105,711	(10,956)	*3(f)(g)*	94,755
Tenant deposits	—	797	52	—	849	1,073	—	*3(e)*	1,074
Deferred tax liabilities	—	2,342	9,229	—	11,570	14,632	(14,632)	*3(d)*	—
Derivative financial instruments	—	—	—	1,563	1,563	1,977	(1,977)	*3(f)(g)*	—
Total non-current liabilities	**—**	**30,950**	**48,637**	**17,988**	**97,575**	**123,393**	**(27,564)**		**95,829**
Current liabilities									
Loans and borrowings	—	29,189	15,219	5,270	49,679	62,824	(62,824)	*3(d)*	—
Finance lease liabilities	—	2,030	2,396	130	4,557	5,763	—	*3(f)(g)*	5,763
Exchangeable securities	—	—	—	—	—	—	11,514	*3(b)(h)*	11,514
Trade and other payables	—	9,857	3,426	1,070	14,353	18,151	(18,151)	*3(d)*	—
Total Current liabilities	**—**	**41,076**	**21,042**	**6,471**	**68,589**	**86,737**	**(69,460)**		**17,277**
Total liabilities	**—**	**72,026**	**69,679**	**24,458**	**166,164**	**210,131**	**(97,025)**		**113,106**
Total equity and liabilities	**10**	**62,125**	**84,571**	**20,833**	**167,529**	**211,857**	**1,999**		**213,856**

See accompanying notes to the Unaudited *Pro Forma* Consolidated financial statements

Unaudited *Pro Forma* Consolidated Income Statement

For The Nine-Month Period Ended September 30, 2012

Unaudited in thousands of Canadian dollars unless otherwise stated	(in CAD$) REIT	(in thousands of Euros) PREI Portfolio Group	Hawaz Portfolio Group	Wel 6	Asterisk Portfolio	(in thousands of CAD$) Asterisk Portfolio	*Pro forma* Adjustments	Note	(in thousands of CAD$) Consolidated *Pro forma*
For the nine-month period ended September 30, 2012									
Rental income	—	3,105	4,486	1,013	8,603	11,053	913	*4(a)*	11,966
Service charge income	—	730	1,220	45	1,996	2,564	149	*4(a)*	2,713
Service charge expense	—	(660)	(1,387)	(69)	(2,116)	(2,718)	—		(2,718)
Other property operating expense	—	(157)	(202)	(81)	(439)	(564)	146	*4(a)*	(418)
Net rental income	**—**	**3,019**	**4,118**	**907**	**8,044**	**10,334**	**1,209**		**11,543**
Administration expenses	—	(646)	(917)	(63)	(1,625)	(2,088)	—	*4(c)*	(2,088)
Valuation gains (losses) from investment property	—	(1,839)	(2,789)	644	(3,984)	(5,119)	5,119	*4(e)*	—
Acquisition Costs	—	—	—	—	—	—	—	*4(f)*	—
Operating profit (loss)	**—**	**534**	**412**	**1,488**	**2,434**	**3,128**	**6,327**		**9,455**
Finance income	—	—	—	37	37	48	(48)	*4(b)*	—
Finance costs	—	(2,239)	(1,433)	(823)	(4,495)	(5,775)	1,211	*4(b)*	(4,564)
Change in fair value of exchangeable securities	—	—	—	—	—	—	(502)	*4(g)*	(502)
Profit (loss) before taxes	**—**	**(1,705)**	**(1,021)**	**703**	**(2,024)**	**(2,600)**	**6,989**		**4,389**
Income tax expense	—	43	255	—	298	383	(383)	*4(d)*	—
Profit (loss) for the period	**—**	**(1,662)**	**(766)**	**703**	**(1,725)**	**(2,217)**	**6,606**		**4,389**

See accompanying notes to the Unaudited *Pro Forma* Consolidated financial statements

Unaudited *Pro Forma* Consolidated Income Statement

For The Year Ended December 31, 2011

Unaudited in thousands of Canadian dollars unless otherwise stated	(in CAD$) REIT	(in thousands of Euros) PREI Portfolio Group	Hawaz Portfolio Group	Wel 6	Asterisk Portfolio	(in thousands of CAD$) Asterisk Portfolio	*Pro forma* Adjustments	Note	(in thousands of CAD$) Consolidated *Pro forma*
For the year ended December 31, 2011									
Rental income	—	4,290	5,541	1,350	11,180	15,392	1,935	*4(a)*	17,327
Service charge income	—	852	1,639	107	2,598	3,577	161	*4(a)*	3,738
Service charge expense	—	(868)	(1,754)	(93)	(2,715)	(3,738)	—		(3,738)
Other property operating expense	—	(185)	(294)	(81)	(559)	(770)	244	*4(a)*	(526)
Net rental income	**—**	**4,089**	**5,133**	**1,283**	**10,504**	**14,461**	**2,339**		**16,800**
Administration expenses	—	(808)	(945)	(72)	(1,825)	(2,513)	—	*4(c)*	(2,513)
Valuation gains (losses) from investment property	—	2,139	(2,731)	(1,148)	(1,739)	(2,394)	2,394	*4(e)*	—
Acquisition Costs	—	—	—	—	—	—	—	*4(f)*	—
Operating profit (loss)	**—**	**5,420**	**1,456**	**63**	**6,940**	**9,554**	**4,734**		**14,288**
Finance income	—	808	52	—	861	1,185	(91)	*4(b)*	1,094
Finance costs	—	(3,287)	(2,125)	(1,185)	(6,597)	(9,082)	(339)	*4(b)*	(9,420)
Change in fair value of exchangeable securities	—	—	—	—	—	—	(612)	*4(g)*	(612)
Profit (loss) before taxes	**—**	**2,941**	**(616)**	**(1,121)**	**1,204**	**1,657**	**3,693**		**5,350**
Income tax expense	—	(1,557)	(144)	—	(1,701)	(2,341)	2,341	*4(d)*	—
Profit (loss) for the year	**—**	**1,384**	**(760)**	**(1,121)**	**(497)**	**(684)**	**6,034**		**5,350**

See accompanying notes to the Unaudited *Pro Forma* Consolidated financial statements

Notes to the Unaudited *Pro Forma* Consolidated Financial Statements

(in thousands of Canadian dollars unless otherwise stated and other than Unit or per Unit amounts)

1. Basis of Presentation

Inovalis Real Estate Investment Trust ("Inovalis REIT" or the "REIT") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013, under the laws of the Province of Ontario.

The *Pro forma* consolidated financial statements have been prepared by management for inclusion in the prospectus (the "Prospectus") dated March 28, 2013, relating to the proposed issue and sale of units of the REIT (together, the "Offering") and proposed debt and equity funding of Luxco by Inovalis of CAD$12,000 thousand (the "Inovalis Funding"), to include the proposed acquisition of leasehold interest in a portfolio of 4 offices properties comprising approximately 529.2 thousand square feet of gross leaseable area located in France and Germany and related tenant's portfolios (the "Asterisk Portfolio"), to be accounted for as a business combination (the "Acquisition").

These *Pro forma* consolidated financial statements must then be read in conjunction with the financial statements of the REIT and the combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 included elsewhere in the Prospectus.

The *Pro forma* consolidated balance sheet gives effect to the Offering, the Inovalis Funding and the Acquisition as if they had occurred on September 30, 2012. The amounts in the *Pro Forma* Consolidated balance sheet were obtained from the combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 as at September 30, 2012 using the closing rate at September 30, 2012 of CAD$1.2646 for every Euro and the financial statements of the REIT as at February 8, 2013.

The *Pro forma* consolidated Income Statement for the year ended December 31, 2011 gives effect to the Offering, the Inovalis Funding and the Acquisition as if they had occurred on January 1, 2011. The amounts in the *Pro Forma c*onsolidated Income Statement for the year ended December 31, 2011 were obtained from the combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 for the year ended December 31, 2011 using the average exchange rate of the twelve-month period ended December 31, 2011 of CAD$1.3767 for every Euro and the financial statements of the REIT as at February 8, 2013.

The *Pro forma* consolidated Income Statement for the nine-month period ended September 30, 2012 gives effect to the Offering, the Inovalis Funding and the Acquisition as if they had occurred on January 1, 2011. The amounts in the *Pro forma* Consolidated Income Statement for the nine-month period ended September 30, 2012 were obtained from the combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 for the nine-month period ended September 30, 2012 using the average exchange rate of the nine-month period ended September 30, 2012 of CAD$1.2847 for every Euro and the financial statements of the REIT as at February 8, 2013.

The *Pro forma* consolidated financial statements are not necessarily indicative of the results that would have occurred had the transactions been consummated at the dates indicated nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. Summary of Significant Accounting Policies

These *Pro forma* consolidated financial statements should be read in conjunction with the annual and interim combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio Group and the financial statements of Wel 6 for the year ended December 31, 2011 and for the nine-month period ended September 30, 2012 and the financial statements of the REIT as at February 8, 2013, which have been prepared in accordance with IFRS (International Financial Reporting Standards) and which present all significant accounting policies applied except for those presented below:

(a) Basis of consolidation

The *Pro forma* consolidated financial statements comprise the financial statements of the REIT and its subsidiaries as presented elsewhere in this prospectus (Refer to note "Simplified Organizational Structure"). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Exchangeable securities represent the financial interest not held by the REIT in controlled and consolidated subsidiaries when these interests are exchangeable into units of the REIT at the discretion of the holder (so called: "Inovalis Funding"). This liability is measured at fair value with changes in fair value recorded in profit/(loss).

(b) Foreign currency translation

The combined financial statements of PREI Portfolio Group, the carve-out financial statements of Hawaz Portfolio and the financial statements of Wel 6 are presented in Euros, which is also their functional currency. The presentation currency for the financial statements of the REIT is Canadian dollars (CAD$), which is also its functional currency.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the average rates for the period.

(c) Business Combinations

The REIT acquires real estate rights on finance lease contracts on French and German commercial real estate and related tenants' portfolios. At the time of acquisition, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination when inputs (the land and fully leased buildings) and outputs or potential outputs (actual rental income) are acquired. More specifically, because the revenue producing activities associated with the acquired set of activities and assets remain substantially the same before and after the acquisition, processes are embedded in the acquisition and, therefore, the acquired set constitutes a business pursuant to IFRS 3 – Business Combinations.

When the acquisition of a subsidiary does not represent the acquisition of a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

The acquisition of the Initial Properties (described below) has been accounted for as a business combination.

The purchase accounting of the acquired business identifiable assets and liabilities has been made based upon preliminary estimates of their respective fair values as of September 30, 2012 (i.e. the date at which the Transaction has been considered for the purpose of the *Pro Forma* balance sheet) and consistent with:

- the bilateral promise of sale dated May 2, 2012 between Paris Real Estate Investment 2 (PREI 2) and Paris Real Estate Investment 4 (PREI 4) and CanCorpEurope S.a.r.L (referred to as "Luxco"), a subsidiary of the REIT, as amended on June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013,
- the bilateral promise of sale dated May 2, 2012 between Hawaz and Luxco, as amended on June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013, and February 20, 2013,
- the Letter of Intent dated February 5, 2013 between Euro Elysées 2 and CancorpGermany (referred to as the "German SPV") a subsidiary of Luxco,

that provide contingent to the closing of the Offering, for the acquisition of the PREI Portfolio, the Hawaz Portfolio and Wel 6 and related tenants' portfolio respectively.

According to those bilateral promises of sales and Letter of Intent, the cash paid for the acquisition of the real estate rights on finance lease contracts on French and German commercial real estate and the related tenant's portfolios will be calculated as the difference between (i) the asset price (which has been fixed by the bilateral promises of sales and Letter of Intent) less (ii) the carrying value of the finance lease liabilities at the date of the closing.

The determination of the purchase price and its allocation will be finalized at the effective date of the transaction (i.e. the closing of the Offering) and additional valuations and studies will be performed thereafter. Accordingly, the measurements of the purchase price and its allocation have been made solely for the purpose of preparing the *Pro Forma* Financial Information. As a consequence, they are preliminary and subject to revision together with the related impacts in the *pro forma* based on the final determination of the fair values at that time.

(d) Income taxes

The REIT intends to qualify as a mutual fund trust under the Tax Act. The REIT will not be a SIFT provided that the REIT complies at all times with its investment restrictions that preclude the REIT from investing in any entity other than a portfolio investment entity or holding any non-portfolio property. The Trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continue to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the financial *Pro Forma* in respect of the REIT.

The OPCI and the French SPVs are established in France and should therefore be considered as tax residents in France. Under current French tax legislation and provided the OPCI and SCIs fulfill their obligations they are corporate income tax exempt.

A 5% withholding tax should be levied in France on dividend distributions made by the OPCI to Luxco.

Luxco and the German SPV (referred to as the subsidiary of Luxco) are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum corporate income tax in Luxembourg amounting to €3 thousand in 2013 (plus solidarity surcharge) per company under certain conditions whenever the corporation has zero or negative taxable income. Luxco and the German SPV are likely to be subject to this minimum corporate income tax depending on their balance sheet items. Dividends and liquidation dividends derived by Luxco from the French OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. Luxco will benefit from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from the German SPV. The German SVP will enter into leasing and sub-leasing agreement through which it will realize a spread profit. The Luxembourg/Germany double tax treaty should allocate to Germany an unlimited primary right to tax income deriving from such spread on the leasing agreements relating to the property in Germany. Also based on the Luxembourg/Germany double tax treaty, Luxembourg should exempt this income.

Luxco should also realize a financing margin on its back-to-back financing activity, such margin being subject to taxation in Luxembourg at the normal tax rate.

The German SPV is a Luxembourg limited liability company that is managed in Luxembourg and, therefore, should not be considered to be a tax resident of Germany for German tax purposes. However, the German SPV would be subject to tax in Germany on its German source income. Provided the envisaged treatment of the head lease and sub lease structure is achieved (i.e. the Hanover Owner will be regarded as the beneficial owner of the Hanover Property and for German tax purposes), the German SPV would realize income from the sub-leasing of the Hanover Property and would have expenses in the form of rental payments under the Vendor Lease entered into with the Hanover Owner, whereas rental prepayment would generally be amortized over the period for which the prepayment was made. As the German SPV's rental revenues would be German source income, such (net) income would be subject to German corporate income tax ("CIT"), even if the German SPV is not a German tax resident. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg because the Hanover Property is located in Germany and income from German real estate is taxed in the country where the real estate is located. Currently, CIT applies at a rate of 15.825% (including a solidarity surcharge of 5.5%) on taxable net income. To determine taxable income for CIT purposes, a taxpayer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property and certain operating expenses) provided that such costs are incurred on arm's length terms.

3. *Pro Forma* Consolidated Assumptions and Balance Sheet Adjustments

The Summary of Balance Sheet Pro Forma Adjustments discussed below is as follows:

Unaudited in thousands of Canadian dollars	**Proceeds of Offering**	**Inovalis Equity & New Debt in Luxco**	**Acquisition & Offering costs**	**Acquisition of Vanves**	**Acquisition of Jeuneur**	**Acquisition of Courbevoie**	**Acquisition of Hanover**	**Hanover debt reimbursement and swap settlement**	**Assets & Liabilities not transferred**	**Total Pro Forma Adjustments**
	3(a)	*3(a)(b)*	*3(a)(c)*	*3(c)(f)*	*3(c)(f)*	*3(c)(f)*	*3(c)(f)*	*3(g)*	*3(d)*	
Assets										**Unaudited**
Non-current assets										
Investment property	–	–	–	6,242	6,330	(2)	(37)		–	12,534
Total non-current assets	**–**	**–**	**–**	**6,242**	**6,330**	**(2)**	**(37)**	**–**	**–**	**12,535**
Current assets										
Trade and other receivables	–	–	–	–	–	–	–		(8,280)	(8,280)
Financial asset	–	–	–	–	–	–	–		(211)	(211)
Cash from tenant deposit	–	–	–	–	–	–	–		1,074	1,074
Cash and cash equivalents	105,000	12,000	(14,924)	(49,039)	(16,566)	(18,210)	(4,921)	(5,518)	(10,940)	(3,117)
Total current assets	105,000	12,000	(14,924)	(49,039)	(16,566)	(18,210)	(4,921)	(5,518)	(18,358)	(10,535)
Total assets	**105,000**	**12,000**	**(14,924)**	**(42,796)**	**(10,236)**	**(18,211)**	**(4,957)**	**(5,518)**	**(18,358)**	**1,999**
Equity and Liabilities										
Unitholder's Equity										
Asterisk Portfolio Equity	–	–	–	–	–	–	–	–	(1,727)	(1,727)
Unitholder's Equity	**105,000**	**–**	**(13,393)**	**2,461**	**7,204**	**(949)**	**427**	**–**	**–**	**100,750**
Total equity	**105,000**	**–**	**(13,393)**	**2,461**	**7,204**	**(949)**	**427**	**–**	**(1,727)**	**99,024**
Liabilities										
Non-current liabilities										
Finance lease liabilities	–	–	–	(2,804)	(1,698)	(423)	(2,490)	(3,541)	–	(10,956)
Tenant deposits	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	–	–	–	–	–	–	(14,632)	(14,632)
Derivative financial instruments	–	–	–	–	–	–	–	(1,977)	–	(1,977)
Total non-current liabilities	**–**	**–**	**–**	**(2,804)**	**(1,698)**	**(423)**	**(2,490)**	**(5,518)**	**(14,632)**	**(27,564)**
Current liabilities										
Loans and borrowings	–	–	–	–	–	–	–	–	(62,824)	(62,824)
Finance lease liabilities	–	–	–	–	–	–	–	–	–	–
Exchangeable securities	–	12,000	(1,531)	281	824	(108)	49	–	–	11,514
Trade and other payables	–	–	–	–	–	–	–	–	(18,151)	(18,151)
Total Current liabilities	**–**	**12,000**	**(1,531)**	**281**	**824**	**(108)**	**49**	**–**	**(80,975)**	**(69,460)**
Total liabilities	**–**	**12,000**	**(1,531)**	**(2,523)**	**(874)**	**(532)**	**(2,441)**	**(5,518)**	**(95,606)**	**(97,025)**
Total equity and liabilities	**105,000**	**12,000**	**(14,924)**	**(63)**	**6,330**	**(1,481)**	**(2,014)**	**(5,518)**	**(97,333)**	**1,999**

(a) Issuance of Units of the REIT and shares of Luxco

The REIT is assumed to complete the issue of Units to the public pursuant to the Offering for gross proceeds of CAD$105,000 thousand through the issuance of 10,500,000 Units at CAD$10 per Unit. Costs relating to the issuance of Units, including underwriters' fees, are estimated to be CAD$11,920 thousand and are charged directly to Equity.

Concurrent with the issue of Units to public, Luxco, a subsidiary of the REIT, is assumed to raise gross proceeds of CAD$2,172 thousand pursuant to a capital increase (CAD$63 thousand of share capital and CAD$2,109 thousand of share premium) subscribed by Inovalis that will consequently hold 10.26% of this subsidiary.

(b) Issuance of Notes

Luxco, the subsidiary of the REIT, is also assumed to obtain from Inovalis notes (referred to as "Luxco Notes") for gross proceeds of CAD$4,903 thousand at a weighted average annual interest rate of approximately 7.8% and interest free notes (referred to as "NIB Notes") for gross proceeds of CAD$4,925 thousand. Payment of interest of the Luxco Notes is subordinated to the payment of cash distributions to the Unitholders.

As a result of the above transactions, Inovalis is assumed to contribute CAD$12,000 thousand (CAD$2,172 thousand as equity and CAD$9,828 thousand as debt) to the Luxco, representing the exchangeable securities.

(c) Properties acquired

The REIT will indirectly own the 4 commercial properties located in France and Germany and comprising approximately 529.2 thousand square feet of gross leaseable area and the related tenants' portfolios for a consideration of CAD$88,735 thousand (€70,169 thousand). For *pro forma* purpose, cash consideration given has been calculated as the difference between the assets price (determined on the basis of the bilateral promises of sales and Letter of Intent) and the carrying value of the finance lease liabilities as at September 30, 2012. Effective cash consideration given, determined at the date of acquisition of the leasehold interests, will be adjusted by the carrying value of the finance lease liability at that date.

	Fair value				
(In thousands of CAD$)	**Hawaz – Vanves leasehold**	**PREI 4 – Jeuneurs Leasehold**	**PREI 2 – Dubonnet leasehold**	**Wel 6 – Hanover leasehold**	**Asterisk Portfolio**
Recognized amounts of identifiable assets acquired and liabilities assumed					
Properties acquired	101,777	43,708	33,656	25,818	204,959
Total Assets acquired	**101,777**	**43,708**	**33,656**	**25,818**	**204,959**
Finance leases liabilities	(49,997)	(19,114)	(16,503)	(18,444)	(104,058)
Financial instruments	—	—	—	(1,977)	(1,977)
Total liabilities acquired	**(49,997)**	**(19,114)**	**(16,503)**	**(20,421)**	**(106,035)**
Fair value of Net assets acquired	**51,781**	**24,594**	**17,153**	**5,397**	**98,924**
Cash	49,039	16,566	18,210	4,921	88,735
Consideration given by the REIT	***49,039***	***16,566***	***18,210***	***4,921***	**88,735**
Goodwill /(Negative Goodwill)	**(2,742)**	**(8,028)**	**1,057**	**(477)**	**(10,189)**

Provisional Goodwill (respectively Negative goodwill) estimated at the acquisition date on each acquired business have been charged directly as a reduction (respectively increase) of the Equity.

Costs relating to the acquisition are estimated to be CAD$3,004 thousand and are presented in the table (i) below showing the contemplated source and use of cash. The acquisition will be financed by way of net proceeds from the issuance of equity and debt as described in notes (a) and (b) above.

The REIT should indirectly buy the properties through the acquisition of the sole finance lease contracts under which those properties are currently held by the vendors. The acquisition of those properties includes the transfer of the operating lease contracts with the tenants of such properties.

(d) Assets and liabilities not transferred

The REIT will acquire the sole finance lease contracts and consequently the REIT will recognize only the investments properties, the related finance leases liabilities and the interest rate financial instruments attached to the liabilities. The REIT will not be acquiring the other assets and liabilities associated with the Asterisk Portfolio i.e. the Trade and other receivables in the amount of CAD$8,280 thousand, the Financial asset in the amount of CAD$211 thousand, the Cash and cash equivalents in the amount of CAD$10,940 thousand, the Deferred tax liabilities in the amount of CAD$14,632 thousand, the Loans and borrowings in the amount of CAD$62,824 thousand and the Trade and other payables in the amount of CAD$18,151 thousand.

Accordingly amounts related to those assets and liabilities of the Asterisk Portfolio not taken over by the REIT have been removed in the *Pro Forma c*onsolidated balance sheet and the related impacts on equity have also been removed.

(e) Tenants deposits

Concurrent with the acquisition, and in accordance with the bilateral promises of sale and Letter of Intent, the REIT will take over with tenant deposits hold by the Asterisk Portfolio. Those tenant deposits shall be transferred by the vendors to the REIT for their nominal value amounting to CAD$1,074 thousand.

(f) Provisional Fair Value of Assets and Liabilities Acquired

At the acquisition date, the fair values of the assets transferred and of the liabilities incurred are assessed. For purpose of the *pro forma* financial statements the fair value of the net assets acquired is only provisional and mainly consist of reassessment of the finance lease liabilities attached to the properties and the reassessment of the properties.

The fair value of the properties acquired amounts to CAD$204,959 thousand which represent an increase by CAD$12,534 thousand compared to historical value of investment properties. The valuations were performed by Jones Lang Lasalle (for the French investment properties) and REAG (for the German investment property) which are independent appraisers with recognized and relevant professional qualification.

The fair value of the finance lease liabilities amounts to CAD$104,058 thousand which represent a decrease by CAD$7,415 thousand compared to historical value of finance leases liabilities (before effect of CAD$3,541 thousand of partial repayment of the finance lease debt).

(in thousands of CAD$)	**Asterisk Portfolio** ***carrying value***	**Fair Value Adjustment**	**Asterisk Portfolio** ***Fair Value***
Recognized amounts of identifiable assets acquired and liabilities assumed			
Fair value of Properties acquired	192,425	12,534	204,959
Total Assets acquired	**192,425**	**12,534**	**204,959**
Fair value of Finance leases liabilities	(111,474)	7,415	(104,058)
Fair value of Financial instruments	(1,977)	-	(1,977)
Total liabilities acquired	**(113,450)**	**7,415**	**(106,035)**
Fair value of Net assets acquired			**98,924**
Consideration given by the REIT consists of the following:			
Cash			88,735
Consideration given by the REIT			**88,735**
Aggregate Goodwill / (Negative goodwill) Net			**(10,189)**

(g) Partial early payment of the Hanover's finance lease liability and swap settlement

As agreed in the Letter of Intent the REIT will make, at the acquisition date, a partial reimbursement in the amount of CAD$3,541 thousand (€2,800 thousand) of the finance lease liability attached to the property situated in Germany (Hanover) and will settle for CAD$1,977 thousand (€1,563 thousand) the out-of-the money interest rate swap attached.

The *pro forma* adjustment of CAD$10,956 thousand on the finance lease liabilities line item includes the fair value adjustment of CAD$7,415 thousand (described in *3(f)*) booked on the finance lease liabilities acquired from the Asterisk Portfolio and the adjustment of CAD$3,541 thousand booked in respect of the partial debt early payment made.

(h) Unitholders' equity and Exchangeable securities.

Exchangeable securities represent the financial interest not held by the REIT in controlled and consolidated subsidiaries when these interests are exchangeable into units of the REIT at the discretion of the holder (so called: "Inovalis Funding"). This liability is measured at fair value with changes in fair value recorded in profit/(loss). For *pro forma* purposes, the fair value has been estimated as the net assets attributable to holders of the Exchangeable securities.

The CAD$100,750 thousand presented as Unitholder's equity are composed of CAD$105,000 thousand of issue of Units to the public reduced by CAD$13,393 thousand of Offering costs and acquisition costs (as presented in *3(a)(c)*), and increased by CAD$9,143 thousand of the REIT share in Goodwill and Negative Goodwill reflected in equity in the *pro forma* balance sheet (as presented in *3(c)* and *3(f)*).

(i) Source and use of cash

In thousands of CAD$	Offering	New Debt	Capital increase of a subsidiary	Total
Proceeds	105,000	9,828	2,172	117,000
Issue costs	(11,920)			(11,920)
Net proceeds	**93,080**	**9,828**	**2,172**	**105,080**
Finance lease debt reimbursement and swap settlement				(5,518)
Consideration for the properties acquired				(88,735)
Acquisition costs				(3,004)
Increase in cash and cash equivalents				**7,823**

The *pro forma* adjustment of CAD$3,117 thousand on the cash and cash equivalents line item includes the CAD$10,940 thousand of Cash and cash equivalent of the Asterisk Portfolio that will not be transferred to the REIT and the CAD$7,823 thousand of net cash balance remaining after completion of the Acquisition.

4. *Pro Forma* Income Statement Adjustments

(a) Rental income, Service charge income and properties operating expense

Rental income and Service charge income have been adjusted to give effect to the operating leases agreed between the vendors and the REIT as part of the transaction. PREI 2 agreed to lease 6,876 sqft of office area for a period of one year following the acquisition date for CAD$342 thousand (and CAD$43 thousand of Service charge income). This agreement has been reflected in the *pro forma* by an adjustment of CAD$342 thousand of Rental income for year ended December 31, 2011 (and CAD$43 thousand of Service charge income). Hawaz similarly agreed to lease 15,543 sqft of office area for a period of three years following the acquisition date for an annual rent of CAD$696 thousand (and CAD$118 thousand of Service charge income). This agreement has been reflected in the *pro forma* by an adjustment of CAD$696 thousand of Rental income for year ended December 31, 2011 (and CAD$118 thousand of Service charge income) and CAD$497 thousand for the nine-month period ended September 30, 2012 (and CAD$149 thousand of Service charge income).

Historical expenses related to the incentives for tenants to enter into the lease agreements have been derecognized. New expenses, based on the incentives part not yet consumed, have been re-calculated and spread over the remaining lease term (from the Acquisition date). As a result, rental income increased by CAD$897 thousand for the year ended December 31, 2011 and CAD$416 thousand for the nine-month period ended September 30, 2012.

As a result of the two *pro forma* adjustments presented above rental income increased by CAD$1,935 thousand for the year ended December 31, 2011 and CAD$913 thousand for the nine-month period ended September 30, 2012.

Historical letting fees in the amount of CAD$244 thousand for the year ended December 2011 and CAD$146 thousand for the nine-month period ended September 30, 2012 that were spread over on a straight line basis over the term of the lease have not been recognized at the Acquisition date. Consequently, their effect in the income statements has been neutralized.

(b) Finance costs and income

For the year ended December 31, 2011	Subordinated loans expenses not transferred	Exchange gain (loss) on liabilities not transferred	Income on financial assets not transferred	Loan prepayment and swap settlement effects on interest expenses	Amortization of the finance leases liabilities fair value adjustment	TOTAL pro forma adjustment
Unaudited in thousands of Canadian dollars						
Finance income	—	—	(91)	—	—	(91)
Finance costs	4,567	171	—	951	(6,027)	(339)
Finance costs – net	**4,567**	**171**	**(91)**	**951**	**(6,027)**	**(429)**

For the nine-month period ended September 30, 2012	Subordinated loans expenses not transferred	Exchange gain (loss) on liabilities not transferred	Income on financial assets not transferred	Loan prepayment and swap settlement effects on interest expenses	Amortization of the finance leases liabilities fair value adjustment	TOTAL pro forma adjustment
Unaudited in thousands of Canadian dollars						
Finance income	—	—	—	(48)	—	(48)
Finance costs	3,218	8	—	686	(2,701)	1,211
Finance costs – net	**3,218**	**8**	**—**	**639**	**(2,701)**	**1,163**

Historical incomes and costs cancelled

Interest expenses related to the historical subordinated loans that are excluded from the Acquisition have been cancelled for CAD$4,567 thousand for the year ended December 31, 2011 and CAD$3,218 thousand for the nine-month period ended September 30, 2012. Simultaneously, related realized and unrealized exchange gains and losses of CAD$171 thousand for the year ended December 31, 2011 and CAD$8 thousand for the nine-month period ended September 30, 2012 have been cancelled (part of the historical subordinated loans had been subscribed in United States Dollars).

Some financial assets have been excluded from the Acquisition and consequently income related to those financial assets has been cancelled in the *pro forma* income statement (CAD$ 91 thousand for the year ended December 31, 2011).

Finance income of CAD$48 thousand for the nine-month period ended September 30, 2012 related to the interest rate swap settled (refer to section 3(g)) have also been cancelled in the *pro forma* income statement.

Pro forma costs incurred

Interest expense related to the finance lease liabilities has been reduced by CAD$951 thousand for the year ended December 31, 2011 (and CAD$686 thousand for the nine-month period ended September 30, 2012) to render the effect of the partial early reimbursement of CAD$3,541 thousand (€2,800 thousand) of the finance lease liability attached to the property situated in Germany and of the settlement of the out-of-the money interest rate swap attached.

Also included in interest expense is the amortization of the financial lease liabilities fair value adjustment of CAD$6,027 thousand for the year ended December 31, 2011 and CAD$2,701 thousand for the nine-month period ended September 30, 2012.

(c) Administration expenses

No adjustment has been made to general and administrative expenses, including management fees, to reflect changes to the legal and operating structure through which the REIT will hold its interest in the Asterisk Portfolio. Upon Closing, the REIT will have a different cost structure and will be incurring costs related to management of the portfolio, the contemplated structure and public entity costs in Canada.

(d) Income taxes

We assume that on Closing the REIT will qualify as a mutual fund trust and not be a SIFT Trust and that the French entities will fulfill their obligations to be income tax exempt as described in note 2d. Accordingly, no net current income tax expense or future income tax assets or liabilities have been recorded in the *Pro forma* consolidated financial statements in respect of the REIT and the French entities.

Taxable income related to taxable subsidiaries has been determined using the corresponding assumptions and legislated rates as discussed in note 2*(d)*. Based on management's best estimates, the effective future income tax charge should be nearly nil. Accordingly, no net current income tax expense on future income tax assets or liabilities have been recorded in the *Pro forma* consolidated financial statements in respect of taxable entities.

(e) Fair value adjustments on investments properties

Subsequent to initial recognition, investment properties will be adjusted to their fair values at each reporting period with changes in fair value recorded in profit/(loss) for the year. For purposes of the *Pro forma* consolidated Income Statements no changes in fair values of the investment properties has been assumed. The expenses of CAD$2,394 thousand for the year ended December 31, 2011 and CAD$5,119 thousand for the nine-month period ended September 30, 2012 recorded as "valuation gains (losses) from investment property have been eliminated. Negative Goodwill recorded and Goodwill written off through income are not reflected as they have no continuing impact on the Income Statement.

(f) Acquisitions costs

Acquisition costs in the amount of CAD$3,004 thousand have not been considered in the *pro forma* income statements as they are not expected to have a continuing impact on the Income Statement.

(g) Change in fair value of exchangeable securities

An expense of CAD$502 thousand for the nine-month period ended September 30, 2012 and CAD$612 thousand for the year ended December 31, 2011 has been booked that reflects the change in fair value of Exchangeable Securities. For *pro forma* purposes, change in fair value has been estimated as the Exchangeable securities holders' share in "Profit/(loss) for the year" before "Change in fair value of exchangeable securities". This change in fair value includes the interest on Luxco Notes.

HAWAZ Portfolio Group

Carve-Out Financial Statements for the years ended December 31, 2011, 2010 and 2009

Hawaz Portfolio Group

Years ended December 31, 2011, 2010 and 2009

Independent auditors' report on the carve-out financial statements

To the Legal Representative of Hawaz S.A.R.L. (the "Gérant"),

We have audited the accompanying carve-out financial statements of Hawaz Portfolio Group of Hawaz S.A.R.L., which comprise the carve-out balance sheets as at December 31, 2011, 2010, 2009 and January 1, 2009 and the carve-out income statements, the carve-out statements of comprehensive income, the carve-out statements of changes in invested equity and the carve-out statements of cash flows for the years ended December 31, 2011, 2010 and 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of the Hawaz Portfolio Group as at 31 December 2011, 2010, 2009 and January 1, 2009, and its financial performance and its cash flows for the years ended December 31, 2011, 2010 and 2009 in accordance with International Financial Reporting Standards.

Luxembourg, March 28, 2013

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
Werner Weynand

Carve-out Income Statements for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Carve-out income statements	Note	2011	2010	2009
Rental income	*4*	5,541	5,803	6,151
Service charge income	*4*	1,639	1,408	1,285
Service charge expense	*5*	(1,754)	(1,382)	(1,471)
Other property operating expense	*5*	(294)	(284)	(254)
Net rental income		5,133	5,545	5,711
Administration expenses	*6*	(945)	(869)	(924)
Valuation gains (losses) from investment property	*10*	(2,731)	1,137	(5,716)
Operating profit (loss)		1,456	5,814	(929)
Finance income	*7*	52	5	95
Finance costs	*7*	(2,125)	(1,945)	(2,887)
Profit (loss) before taxes		(616)	3,874	(3,720)
Income tax expense	*9*	(144)	(1,428)	1,024
Profit (loss) for the year		**(760)**	**2,445**	**(2,697)**

Carve-out Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)	For the years ended December 31,		
Carve-out statements of comprehensive income	**2011**	**2010**	**2009**
Profit (loss) for the year	**(760)**	**2,445**	**(2,697)**
Other comprehensive income :			
Total comprehensive income (loss)	(760)	2,445	(2,697)

Carve-out Balance Sheets as at December 31, 2011, 2010 and 2009 and January 1, 2009

(in thousands of Euros)		As at December 31,			As at January 1,
Assets	Note	2011	2010	2009	2009
Non-current assets					
Investment property	*10*	78,665	81,681	80,964	86,036
Total non-current assets		78,665	81,681	80,964	86,036
Current assets					
Trade and other receivables	*11*	1,084	836	1,078	1,368
Derivative financial instruments	*16,18*	—	16	62	
Cash and cash equivalents	*12*	5,932	3,894	2,501	2,016
Total current assets		7,015	4,746	3,642	3,384
Total assets		**85,680**	**86,426**	**84,606**	**89,420**

(in thousands of Euros)		As at December 31,			As at January 1,
Equity and Liabilities	Note	2011	2010	2009	2009
Invested equity					
Invested equity		15,658	16,418	13,973	16,670
Total invested equity		15,658	16,418	13,973	16,670
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	*13*	—	—	—	—
Finance lease liabilities	*15*	40,399	42,577	44,584	46,431
Tenant deposits	*16*	45	30	28	74
Deferred tax liabilities	*9*	9,484	9,340	7,911	8,935
Total non-current liabilities		49,928	51,947	52,524	55,440
Current liabilities					
Interest-bearing loans and borrowings	*13*	14,532	13,568	12,679	12,432
Finance lease liabilities	*15*	2,178	2,008	1,846	1,694
Tenant deposits	*16*	—	29	46	—
Derivative financial instruments	*16,18*	—	—	—	—
Trade and other payables	*14*	3,385	2,457	3,536	3,183
Total Current liabilities		20,095	18,062	18,109	17,309
Total liabilities		70,023	70,008	70,633	72,749
Total equity and liabilities		**85,680**	**86,426**	**84,606**	**89,420**

Carve-out Statements of changes in Invested Equity

(in thousands of Euros)

Carve-out statements of changes in invested equity	Total invested equity
At January 1, 2009	**16,670**
Profit / (loss) for the year	(2,697)
Other comprehensive income	—
Total comprehensive income (loss)	***(2,697)***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2009	**13,973**
Profit / (loss) for the year	2,445
Other comprehensive income	—
Total comprehensive income (loss)	***2,445***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2010	**16,418**
Profit / (loss) for the year	(760)
Other comprehensive income	—
Total comprehensive income (loss)	***(760)***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2011	**15,658**

Carve-out Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Carve-out statements of cash flows	Note	2011	2010	2009
Cash flow from operating activities				
Profit (loss) before taxes		(616)	3,874	(3,720)
Adjustments to reconcile profit (loss) before taxes to net cash flows				
Capitalised letting fees	*10*	91	84	(24)
Rent free period	*4,10*	571	573	(424)
Valuation (gains) / losses from fair value adjustment on investment property	*10*	2,731	(1,137)	5,716
Net fair value (gains) / losses on derivative financial instruments	*7*	16	46	(62)
Finance cost – net	*7*	2,109	1,897	2,887
		4,902	5,337	4,371
Working capital adjustments				
(increase) / decrease in trade and other receivables		(247)	242	(550)
increase / (decrease) in tenants deposits		(14)	(15)	—
increase / (decrease) in trade and other payables		928	(1,080)	353
Net Cash generated from operating activities		5,568	4,484	4,174
Cash flow from investing activities				
Subsequent expenditure on investment property	*10*	(378)	(236)	(195)
Net Cash used in investing activities		(378)	(236)	(195)
Cash flow from financing activities				
Proceeds from borrowings		—	—	495
Repayment of finance lease liabilities		(2,008)	(1,846)	(1,694)
Interest paid		(1,145)	(1,008)	(2,294)
Net Cash used in financing activities		(3,153)	(2,855)	(3,493)
Net (decrease) increase in cash and cash equivalents		**2,038**	**1,393**	**486**
Cash & cash equivalents at the beginning of the financial year		**3,894**	**2,501**	**2,016**
Cash and cash equivalents at the end of the financial year		**5,932**	**3,894**	**2,501**

Notes to the Carve-out Financial Statements

Note 1 – Basis of preparation

Background

Hawaz is a private limited company established on September 29, 2003 under French law (registration number: 450 108 774 RCS PARIS). The address of its registered office is 52, rue de Bassano 75008 Paris, France.

These carve-out financial statements of Hawaz Portfolio Group (referred to as the "Group" or "Hawaz Portfolio") have been prepared by extracting from Hawaz historical financial statements all assets, liabilities, revenues and expenses that pertain to its business related to the property located in Vanves (referred to as the "Vanves property") and held under finance leases.

These carve-out financial statements have been prepared solely in connection with the initial public offering of INOVALIS Real Estate Investment Trust (the "REIT") (referred to as the "Transaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

HAWAZ is a subsidiary of Alpha Investment which is an associate of Inovalis S.A (referred to as the "Management company" or "Inovalis"), a private company specializing in investment fund management in real estate, created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the "AMF") since March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The Hawaz Portfolio carve-out financial statements were authorized for issue by the legal representative of HAWAZ (the "Gérant") on March 28, 2013.

Nature of Business

The objective of Hawaz Portfolio Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

Hawaz holds rights on several real estate finance leases not included in the Asterisk Portfolio. This carve out from its financial statements was carried out for the purposes of the Asterisk Portfolio to present the assets, liabilities, revenues and expenses that relate to the Vanves property LE BEARN, LE BERRY-ARTOIS located 2-6 rue Auguste Comte, Vanves, France, that is to be transferred to CanCorpEurope through the sale of the finance lease contracts under which these properties are held and the transfer of the lease contracts with the tenants of such property. The sale of the carved-out finance lease contracts held by Hawaz and of the related lease contracts with tenants was duly authorized by a resolution of the shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed on May 2, 2012 and since then, the agreement has been renewed through six amendments described in Note 21 – Subsequent Events.

Methods used for the preparation of the carve-out financial statements

The carve out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") as of December 31, 2011.

IFRS do not include guidance on preparing carve-out financial statements and the principles and conventions described below explain how IFRS have been applied to present the carve-out financial statements.

The carve-out financial statements have been prepared for the years 2011, 2010 and 2009, based on the extraction of all financial information related to the Hawaz Portfolio from Hawaz's historical financial statements. All assets, liabilities, revenues and expenses directly related or attributable to the property located in Vanves (including cost of investment properties, rental income and related receivables, service charge income and expenses and related receivables and payables, finance lease interests and borrowings) have been extracted from HAWAZ records to prepare the carve-out financial statements. Administrative expenses other than service charge income and expense and other property operating expense have been allocated based on the number of properties (2 out of 3).

Subordinated loans and related interest have been allocated based on the Hawaz Porfolio's part in total finance lease borrowing at the inception of the leases.

Initial equity contribution consists of the contribution made by the shareholders for the initial acquisition (2005) and financing of the Hawaz Portfolio. Opening invested equity as of January 1st 2009 has been carved out and allocated as follows:

- Net rental income and administration expenses accumulated over the period 2005 (inception)–2008 have been allocated in proportion to the rental income of the Hawaz Portfolio in Hawaz
- Finance costs accumulated over the period 2005 (inception) – 2008 have been allocated in proportion to the Hawaz Portfolio share in total finance lease borrowing at the inception of the leases.

Cash and cash equivalents include bank accounts relating to the Hawaz Portfolio property as of January 1st 2009 and a balancing share of the Hawaz Portfolio in general bank accounts of Hawaz.

Tax assets and liabilities have been recorded and measured as if the Hawaz Portfolio had existed as a separate / standalone tax entity from January 1st, 2009. Existing tax loss carry forward as of January 1st, 2009 have been allocated in proportion to the share of the Hawaz Portfolio in accumulated losses.

The Hawaz Portfolio is not a legal entity and did not previously operate as a separate, stand-alone entity. The carve-out financial statements included herein may not necessary be indicative of the Hawaz Portfolio Group's financial position, results of operations, changes in invested equity or cash flows had the Hawaz Portfolio Group operated as a stand-alone entity during the periods presented or for future periods.

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Hawaz Portfolio Group had been a stand-alone company during the period presented (see Note 17 – Transactions with related parties).

In order to ensure consistency with the financial statements of the other entities part to the Transaction, the carve-out of financial statements have been prepared with December 31 year end.

Accounting policies and disclosures

The accounting policies applied in the preparation of these carve-out financial statements are based on the IFRS standards and interpretations applicable as on December 31, 2011 which have been consistently applied to all the years presented, unless otherwise stated.

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning at 1 January 2011:

- IAS 1 Amended "Presentation of Items of Other Comprehensive Income";
- IAS 12 Amended "Deferred Tax: Recovery of Underlying Assets";
- IAS 19 Amended "Employee Benefits";
- IAS 27 Revised "Consolidated and Separate Financial Statements";
- IAS 28 Revised "Interests in Associates and Joint Ventures".
- IFRS 7 Amended "Disclosures – Transfers of Financial Assets";
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

The Group intends to adopt these standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards and Amendments on its carved-out financial statements in the period of initial application.

Note 2 – Significant accounting judgments, estimates and assumptions

The preparation of the Group's carve-out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Management believes that the judgments, estimates and assumptions underlying these carve-out financial statements are reasonable.

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

Critical judgements in applying the Group's accounting policies

Finance lease – Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Finance lease assets and liabilities are set out in Note 10 – Investment property and Note 15 – Finance lease liabilities.

Critical accounting estimates

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009, 2010 and, to a lesser extent, 2011. Therefore, in arriving at their estimates of market values as at 31 December 2009, 31 December 2010 and 31 December 2011, the valuators used their market knowledge and professional judgment and did not rely solely on transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the valuators in estimating the fair value of investment property are set out in Note 10 – Investment property.

Techniques used for valuing investment property

The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of an Initial Yield, generally referred to as the "All Risks Yield" approach or "Net Initial Yield" approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/ exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Fair value of financial instruments

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used by the Group to estimate the fair values of its financial instrument are disclosed in Note 16 – Financial risk management objectives and policies.

Taxes

The Group is subject to income and capital gains taxes in France. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences in investment property depends on the method by which the carrying amount of investment property will be realized.

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recorded in accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors*.

The significant methods and assumptions used in estimating taxes are set out in Note 9 – Taxation.

Note 3 – Significant accounting policies

The principal accounting policies applied in the preparation of these carve-out financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property and derivative financial instruments that have been measured and accounted for at fair value.

The carve-out financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Principles of carve-out

See Note 1 – Basis of preparation.

Foreign currency translation

The carve-out financial statements are presented in Euros, which is also the functional currency (i.e. the currency of the primary environment in which the entity operates) of Hawaz.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency rate of exchange ruling on the reporting date. All differences are taken to profit or loss.

Investment property

Investment property comprises completed property or re-development held to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognized under IAS 17 at an amount equal to the fair value of the lease property or, if lower, the present value of the minimum payments, each determined at the inception of the lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from, changes in the fair values are included in the income statement in the year in which they arise. For the purpose of these financial statements, in order to avoid "double-counting", the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentive and letting fees.

Fair value represents the price that a vendor would receive for the sale of the property and therefore also integrates a deduction for real estate transfer tax that a buyer would incur in acquiring the property and deduct from the net consideration paid to the vendor. Investment properties are stated at fair value based on valuations actually performed at historical dates.

Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, and, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and financial assets at fair value through profit and losses.

Financial assets recognized in the carve-out balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Cash and cash equivalents includes cash at bank, bank overdrafts and liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate collar and cap contracts for hedging purposes (hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognized in the carve-out income statement in "Finance income and costs".

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the carve-out balance sheet.

Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Net change in fair value of financial instruments at fair value through profit or loss" in the period in which they arise.

Derivatives and hedging

The Group uses interest rate collar and cap to hedge its risks associated with interest rates. The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value through profit or loss; transaction costs are included directly in finance costs.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Rent and other receivables

Rent and other receivables are recognized at the lower of their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Provisions are presented in the income statement within "Other property operating expenses".

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows comprise cash at bank, bank overdrafts plus liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method.

Trade and other payables

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

Tenant deposits

The Group obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 3 months. Such deposits are treated as financial assets in accordance with IAS 39, and they are initially recognized at fair value and subsequently measured at amortized cost.

Operating lease contracts – Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Revenue recognition

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the expense is incurred. Service charges are included in the net rental income.

Interest income and expenses

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

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

The carrying value of the Group's investment property will generally be realized by combination of income (rental stream during the period of use) and capital (the consideration on the sale at the end of use). The length of the period for which a property will be held prior to disposal is based on the Group's current plans and recent experience with similar properties. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the balance sheet.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Note 4 – Revenue

(in thousands of Euros)	**For the years ended December 31,**		
Revenue	**2011**	**2010**	**2009**
Rental income	5,541	5,803	6,151
Service charge income	1,639	1,408	1,285
Total revenue	**7,180**	**7,211**	**7,436**

The Group has entered into operating leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break-options before the end of the lease term.

Future minimum leases receivable under non-cancellable operating leases as at December 31 are as follows:

(in thousands of Euros)	For the years ended December 31, 2011	2010	2009
Within 1 year	6,430	6,110	6,372
After 1 year, but not more than 5 years	33,365	32,364	31,195
More than 5 years	—	7,431	14,710
	39,795	**45,905**	**52,277**

The Group has granted incentives such as rent-free periods to new tenants. The average number of months of rent-free periods granted is 5 months. The total unamortized portion of rent-free periods is detailed as follows:

(in thousands of Euros)	For the years ended December 31, 2011	2010	2009
Gross amount of lease incentives not fully amortized	860	1,433	1,009
Recognised in profit or loss	(571)	(573)	424
Net amount of lease incentives not fully amortized	**289**	**860**	**1,433**

Note 5 – Service charge and other property operating expenses

(in thousands of Euros)	For the years ended December 31,		
Service charge and other property operating expenses	**2011**	**2010**	**2009**
Operating expenses	(1,754)	(1,368)	(1,471)
Maintenance and repairs	—	(13)	—
Service charge expense	(1,754)	(1,382)	(1,471)
Property management expenses	(283)	(284)	(254)
Other	(11)	—	—
Other property operating expense	(294)	(284)	(254)
Total property expenses	**(2,047)**	**(1,666)**	**(1,725)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 6 – Administration expenses

(in thousands of Euros)	For the years ended December 31,		
Administration expenses	**2011**	**2010**	**2009**
Asset management fees	(881)	(881)	(881)
Acquisition costs	(3)	—	—
Other general and administrative expenses	(61)	(33)	(51)
Other non current charges	—	45	7
Total administration expenses	**(945)**	**(869)**	**(924)**

Note 7 – Finance income and costs

(in thousands of Euros)	For the years ended December 31,		
Finance income	**2011**	**2010**	**2009**
Finance income	51	4	33
Net change in fair value of financial instruments at fair value through profit or loss	—	—	62
Other interest	1	1	—
Total finance income	**52**	**5**	**95**

(in thousands of Euros)	For the years ended December 31,		
Finance costs	**2011**	**2010**	**2009**
Interest on interest-bearing loans and borrowings	(964)	(964)	(1,011)
Finance lease – interest	(1,145)	(933)	(1,875)
Finance cost – net	**(2,109)**	**(1,897)**	**(2,887)**
Net change in fair value of financial instruments at fair value through profit or loss	(16)	(46)	—
Other financial costs	—	(1)	—
Total finance costs	**(2,125)**	**(1,945)**	**(2,887)**

Note 8 – Segment information

All of the properties included in these carve-out financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the HAWAZ Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to € 4,930 thousand for 2011, € 4,956 thousand for 2010 and € 5,160 thousand for 2009.

Note 9 – Taxation

The major components of income tax expense for the years ended December 31, 2011, 2010 and 2009 are:

(in thousands of Euros)	As at December 31,		
Income tax	**2011**	**2010**	**2009**
Current tax	—	—	—
Deferred tax	(144)	(1,428)	1,024
Income tax expense reported in the income statement	**(144)**	**(1,428)**	**1,024**

	As at December 31,		
	2011	**2010**	**2009**
Profit before tax	**(616)**	**3,874**	**(3,720)**
Tax calculated at tax rate applicable to group profits (33.33%)	205	(1,291)	1,240
Non deductible expenses	(121)	(137)	(216)
Tax losses for wich no deferred income tax asset was recognised	(228)	—	—
Total tax expense reported in the income statement	**(144)**	**(1,428)**	**1,024**

	Historical carve out balance sheets			Historical carve out income statements		
	As at December 31,			As at December 31,		
(in thousands of Euros)	2011	2010	2009	2011	2010	2009
Deferred tax liabilities						
Revaluations of investment property to fair value	5,833	6,729	6,345	896	(385)	1,901
Restatement of lease	4,191	3,216	2,294	(976)	(922)	(871)
Rent free period	96	287	395	190	108	(142)
Paid and amortisation of capitalised letting fees	39	69	97	30	28	(8)
Revaluations of financial instrument to fair value	—	5	21	5	15	(21)
	10,160	**10,306**	**9,151**			
Deferred tax assets						
Losses available for offset against future taxable income	676	966	1,239	(290)	(273)	164
	676	**966**	**1,239**			
Deferred income tax expense				**(144)**	**(1,428)**	**1,023**
Deferred tax assets / (liabilities) net	**(9,484)**	**(9,340)**	**(7,912)**			
Reflected in the balance sheet as follows :						
– Deferred tax assets	—	—	—			
– Deferred tax liabilities	(9,484)	(9,340)	(7,911)			
Deferred tax assets / (liabilities) net	**(9,484)**	**(9,340)**	**(7,911)**			

The Group has tax losses which arose in France of € 2,713 thousand (in 2010, tax losses were € 2,899 thousand and in 2009, € 3,717 thousand) that can be carried forward indefinitely against future taxable income of the companies in which the losses arose. The Group did not recognize deferred income tax asset in respect of the losses amounting to € 685 thousand (in 2010, losses were € 0 and in € 2009, € 0).

The French entity from which those carve-out financial statements are derived was member of the tax group set up by ALPHA INVESTMENT under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and ALPHA INVESTMENT, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to December 31, 2011.

For the year ended 2011, the amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The fraction of the tax loss that can be charged is carried forward to subsequent years and is due on the same terms. As before, this deferral of tax losses can be carried out indefinitely unless the Group leaves the tax group.

Note 10 – Investment property

(in thousands of Euros)	**As at December 31,**		
Investment property	**2011**	**2010**	**2009**
At the beginning of the year	**81,681**	**80,964**	**86,036**
Additions	378	236	195
Disposals	—	—	—
Capitalised letting fees	(91)	(84)	24
Rent free period	(571)	(573)	424
Fair value adjustment	(2,731)	1,137	(5,716)
At the end of the year	**78,665**	**81,681**	**80,964**

The fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 2 – Significant accounting judgments, estimates and assumptions, in arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

The valuations were performed by leading independent appraisers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

The significant assumptions made relating to valuations are set out below:

(in thousands of Euros)	**France**
2011	**Building "Vanves"**
Passing rent per sqm	260
Estimated rental value (market rent) per sqm	255
Average net initial yield	7.88%
Reversionary yield	7.73%
Inflation rate[(i)]	INSEE index cost of construction

(in thousands of Euros)	**France**
2010	**Building "Vanves"**
Passing rent per sqm	258
Estimated rental value (market rent) per sqm	258
Average net initial yield	7.54%
Reversionary yield	7.54%
Inflation rate[(i)]	INSEE index cost of construction

(in thousands of Euros)	France
2009	**Building "Vanves"**
Passing rent per sqm	287
Estimated rental value (market rent) per sqm	267
Average net initial yield	8.46%
Reversionary yield	7.87%
Inflation rate[(i)]	INSEE index cost of construction

(i): Cost of construction Index (www.insee.fr): The cost-of-construction index measures trends each quarter in the prices of new buildings for mainly residential use. It concerns the price inclusive of VAT paid by owners to construction companies. It excludes prices and costs relating to the land (site preparation, special foundations...) and any fees, developer costs and financial costs, and does not cover maintenance and improvement operations.

As at December 31, 2011 properties with an aggregate value of € 80,240 thousand (in 2010, the value was € 83,200 thousand and in 2009, € 82,430 thousand), before deduction of real estate transfer tax on purchase option, are held under lease agreements. Future lease payments are presented in Note 15 – Finance lease liabilities.

	Building "Vanves"
2011	
Vacancy rate	6.31%
2010	
Vacancy rate	5.46%
2009	
Vacancy rate	—

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

	For the years ended December 31,		
(in thousands of Euros)	2011	2010	2009
Increase in yield of 25bps	(2,750)	(2,760)	(2,498)
Decrease in rental rates of 5%	(4,020)	(4,080)	(3,988)

Note 11 – Trade and other receivables

(in thousands of Euros)	As at December 31,		
Trade and other receivables	**2011**	**2010**	**2009**
Trade receivables	72	—	347
Provision for impairment of receivables	—	—	—
Trade receivables	**72**	**—**	**347**
Receivables from related parties	99	94	105
VAT receivable	844	742	625
Other Asset	68	—	—
Other receivables	**1,012**	**836**	**731**
Total trade and other receivables	**1,084**	**836**	**1,078**

The share of trade and other receivables with related parties is disclosed in Note 17 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Note 12 – Cash and cash equivalents

(in thousands of Euros)	As at December 31,		
Cash and cash equivalents	2011	2010	2009
Cash at bank and on hand	5,932	3,894	2,501
Total	**5,932**	**3,894**	**2,501**

Note 13 – Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at December 31, 2011	2010	2009	2011	2010	2009
			Non current			Current		
€ 14,408,000 subordinated loan	8.25%	30/09/2015	—	—	—	14,532	13,568	12,679
			—	—	—	14,532	13,568	12,679
€ 59,677,000 finance lease liabilities	Euribor 3M + 1.15%	02/12/2016	40,399	42,577	44,584	2,178	2,008	1,846
			40,399	42,577	44,584	2,178	2,008	1,846
Hawaz – Building “Vanves”			**40,399**	**42,577**	**44,584**	**16,710**	**15,576**	**14,525**

The subordinated loan has been subscribed by Alpha Investment (Hawaz’s shareholder).

Hawaz did not pay its pending coupons on the subordinated loan for years ended December 31, 2011, 2010 and 2009. Due to the default of payment of the pending coupons, the lender could have asked for immediate reimbursement of the subordinated loan (the dates of the waivers obtained by Hawaz are presented in Note 17 – Transactions with related parties) and consequently the subordinated loan has been presented as current whatever the contractual due date.

Note 14 – Trade and other payables

(in thousands of Euros)	As at December 31,		
Trade and other payables	2011	2010	2009
Trade payables	2,291	1,058	2,339
Payables to related parties	629	1,391	1,214
Trade payables	**2,920**	**2,449**	**3,553**
Other payables to related parties	456	—	—
VAT payable	—	—	(49)
Other liabilities	9	8	33
Other payables	**465**	**8**	**(16)**
Total trade and other payables	**3,385**	**2,457**	**3,536**

The share of trade and other payables on related parties is disclosed in Note 17 – Transactions with related parties. Trade payables are non-interest bearing.

Note 15 – Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property (see Note 10 – Investment property). The lease is accounted for as a finance lease. In this lease:

- the lease term is 12 years (starting December 2, 2004);
- the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- at the inception of the lease, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

(in thousands of Euros)	2011 Carrying value	2011 Minimum lease payments	2010 Carrying value	2010 Minimum lease payments	2009 Carrying value	2009 Minimum lease payments
Within 1 year	2,178	3,024	2,008	3,153	1,846	2,779
After 1 year, but not more than 5 years	10,368	12,707	9,839	12,453	9,095	12,257
More than 5 years	30,031	30,032	32,738	33,310	35,489	36,659
	42,577	**45,763**	**44,585**	**48,916**	**46,430**	**51,695**
Less : future interest costs		(3,186)		(4,331)		(5,264)
	42,577	**42,577**	**44,585**	**44,585**	**46,430**	**46,430**
Of which is non current	40,399		42,577		44,584	
Of which is current	2,178		2,008		1,846	
	42,577		**44,585**		**46,430**	

Terms of loans and borrowings related to these finance leases are presented in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities.

Note 16 – Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Manager uses the services of INOVALIS for financial risk management.

General Manager and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advise on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Manager has reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the derivative financial instruments.

The Group is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate collar and cap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, the Group also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Sensitivity analysis

The analysis below shows the impacts on profit before taxes and equity of changes in the fair value of derivatives held by HAWAZ due to reasonably possible movements in interests rates (with all other variables held constant).

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
2011		
Euribor	+25	—
Euribor	-25	—
2010		
Euribor	+25	(10)
Euribor	-25	7
2009		
Euribor	+25	(34)
Euribor	-25	25

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk"). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of association
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Manager. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund's operation.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest cost on subordinated loan which are presented in a separate table below and future interest costs on finance lease liabilities which are presented in Note 15 – Finance lease liabilities). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet; as the impact of discounting is not significant.

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2011						
Interest-bearing loans and borrowings	—	14,532	—	—	—	14,532
Finance leases	—	530	1,648	10,368	30,031	42,577
Tenant deposits	—	—	—	45		45
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,385	—	—	—	3,385
	—	**18,447**	**1,648**	**10,413**	**30,031**	**60,539**

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2010						
Interest-bearing loans and borrowings	—	13,568	—	—		13,568
Finance leases	—	489	1,519	9,839	32,738	44,585
Tenant deposits	—	—	29	—	30	59
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	2,457	—	—	—	2,457
	—	**16,514**	**1,549**	**9,839**	**32,768**	**60,669**

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2009						
Interest-bearing loans and borrowings	—	12,679	—		—	12,679
Finance leases	—	449	1,397	9,095	35,489	46,430
Tenant deposits	—	—	46	28	—	74
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,536	—	—	—	3,536
	—	**16,665**	**1,443**	**9,123**	**35,489**	**62,719**

Future interest cost on subordinated loans

The analysis below describes reasonably possible future interest costs on the subordinated loan with all other variables held constant. Terms of loans and borrowings related to this subordinated loan are presented in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities.

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2011						
€ 14,408,000 subordinated loan	8.25%	30/09/2015	4,455	1,189	3,266	—
Total future interest costs			**4,455**	**1,189**	**3,266**	**—**

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2010						
€ 14,408,000 subordinated loan	8.25%	30/09/2015	5,644	1,189	4,455	—
Total future interest costs			**5,644**	**1,189**	**4,455**	**—**

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2009						
€ 14,408,000 subordinated loan	8.25%	30/09/2015	6,832	1,189	5,644	—
Total future interest costs			**6,832**	**1,189**	**5,644**	**—**

Liquidity management

These carve-out financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of HAWAZ is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

In December 2012 and February 2013, Hawaz's shareholder in its capacity as lender and the ultimate shareholders, in their capacity as ultimate lenders, have provided comfort letters to Hawaz and its shareholder in order to support the business model until the end of December 2013: they confirmed they will not ask for the payment of the subordinated loans and the pending coupons.

In December 2012, Inovalis also confirmed it will not ask for the payment of the fees due by Hawaz until the end of December 2013.

Fair value of financial assets and liabilities

Below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are carried in the financial statements.

	Carrying amount			Fair value		
	As at December 31,			As at December 31,		
(in thousands of Euros)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Financial assets						
Trade and other receivables	1,084	836	1,078	1,084	836	1,078
Derivative financial instruments	—	16	62	—	16	62
Cash and short-term deposits	5,932	3,894	2,501	5,932	3,894	2,501
	7,015	**4,746**	**3,642**	**7,015**	**4,746**	**3,642**
Financial liabilities						
Interest-bearing loans and borrowings	14,532	13,568	12,679	14,532	13,568	12,679
Finance leases	42,577	44,585	46,430	40,457	40,777	42,135
Tenant deposits	45	59	74	45	59	74
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	3,385	2,457	3,536	3,385	2,457	3,536
	60,539	**60,669**	**62,719**	**58,419**	**56,861**	**58,425**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair value of the subordinated loan subscribed by shareholder in its capacity as lender is considered to be its nominal value.
- The fair values of the derivative interest rate collar and cap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy*:

(in thousands of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
31 December 2011				
Derivative financial instruments (assets)	—	—	—	—
	—	**—**	**—**	**—**

	Level 1	**Level 2**	**Level 3**	**Total fair value**
31 December 2010				
Derivative financial instruments (assets)	—	16	—	16
	—	**16**	**—**	**16**

	Level 1	**Level 2**	**Level 3**	**Total fair value**
31 December 2009				
Derivative financial instruments (assets)	—	62	—	62
	—	**62**	**—**	**62**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 17 – Transactions with related parties

The Group's immediate parent company is "Alpha Investment", which owns 100% of HAWAZ's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros) Related parties	Total	Amount due to Inovalis	Amount due to Realista (Subsidiary of Inovalis)	Amount due to ALPHA Investment
2011				
Fees[(i)]	(1,164)	(881)	(283)	—
Interest	(913)	—	—	(913)
Finance income from cash agreement	51	—	—	51
Intercompany account (assets)	99	—	—	99
Intercompany account (liabilities)	(456)	—	—	(456)
Trade payable	(629)	(579)	(50)	—
Interests-bearing loans and borrowings	(14,532)	—	—	(14,532)
2010				
Fees[(i)]	(1,177)	(881)	(296)	—
Interest	(960)	—	—	(960)
Finance income from cash agreement	—	—	—	—
Intercompany account (assets)	94	—	—	94
Intercompany account (liabilities)	—	—	—	—
Trade payable	(1,391)	(1,345)	(46)	—
Interests-bearing loans and borrowings	(13,568)	—	—	(13,568)
2009				
Fees[(i)]	(1,134)	(881)	(254)	—
Interest	(978)	—	—	(978)
Finance income from cash agreement	33	—	—	33
Intercompany account (assets)	105	—	—	105
Intercompany account (liabilities)	—	—	—	—
Trade payable	(1,214)	(1,166)	(48)	—
Interests-bearing loans and borrowings	(12,679)	—	—	(12,679)

Transactions with related parties are described hereafter and in the different notes:

- The financial terms and conditions of the comfort granted by Alpha Investment in its capacity as shareholder and lender to Hawaz are described in Note 16 – Financial risk management objectives and policies,
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 16 – Financial risk management objectives and policies,
- The financial terms and conditions of the financing arrangements between Alpha Investment and Hawaz are described in Note 13 – Interest bearing loans and borrowings and finance lease liabilities.

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, Hawaz (associate of Inovalis) signed with CanCorpEurope (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, Hawaz and CanCorpEurope have renewed their engagement to sell and to purchase the investment properties through six amendments (refer to Note 21 – Subsequent events).

(i) Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 1.1% plus 0.05% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration calculated as 0.35% of the value of the managed property plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in "Administration expenses" in the carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the carve-out balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plans to investors, making settlements included in the annual budget and business plans and contracting with third parties.

Property management fees are included in "Other property operating expense" in the carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the carve-out balance sheets.

Note 18 – Derivative financial instruments and hedging activities

The Group entered into an interest rate cap with notional amounts of € 42,256 thousand (in 2010, the notional amount was € 44,242 thousand and in 2009, € 46,069 thousand) whereby it receives payments corresponding to interest rates that exceed the agreed strike of 5.10%. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate finance lease liabilities (refer to Note 13 – Interest-bearing loans and borrowings and finance lease liabilities). The cap is to expire as of December 31, 2012. The fair value of the interest cap as of December 31, 2011 was nil (in 2010, the fair value was € 16 thousand and in 2009, € 62 thousand).

Note 19 – Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 20 – Off balance sheet commitments

(in thousands of Euros)

Off-balance sheet commitments	**2011**
Pledge of sums standing to the credit of the current bank account in favor of the lessors	—
Pledge of the advance lease payment (the "lessee loan") in favor of the lessors	4,526
Hawaz – "Vanves" Building	**4,526**

According to the finance lease agreement Hawaz also assigned its current and future sublease rental receivables (Dailly law)

Off-balance sheet commitments	**2010**
Pledge of sums standing to the credit of the current bank account in favor of the lessors	—
Pledge of the advance lease payment (the "lessee loan") in favor of the lessors	5,446
Hawaz – "Vanves" Building	**5,446**

According to the finance lease agreement Hawaz also assigned its current and future sublease rental receivables (Dailly law)

Off-balance sheet commitments	**2009**
Pledge of sums standing to the credit of the current bank account in favor of the lessors	—
Pledge of the advance lease payment (the "lessee loan") in favor of the lessors	6,366
Hawaz – "Vanves" Building	**6,366**

According to the finance lease agreement Hawaz also assigned its current and future sublease rental receivables (Dailly law)

(in thousands of Euros)

Off balance sheet commitments received	**2011**
Bank guarantees securing tenant's rental payments	1,207
Hawaz – "Vanves" Building	**1,207**

Off balance sheet commitments received	**2010**
Bank guarantees securing tenant's rental payments	1,192
Hawaz – "Vanves" Building	**1,192**

Off balance sheet commitments received	**2009**
Bank guarantees securing tenant's rental payments	1,260
Hawaz – "Vanves" Building	**1,260**

The lessors of the "Vanves" building are GENEFIM and ASSURBAIL

Note 21 – Subsequent Events

Subsequent to the year ended December 31, 2011, Hawaz and France Telecom (a tenant) have agreed to a renewal of the lease for a period of nine years (with a break option at the seventh years upon payment of an early termination compensation) and an annual amount of € 5,260 thousand with an aggregated rent free period of one year spread over the first three rental years.

On May 2, 2012, Hawaz signed with CanCorpEurope a bilateral promise of sale of the carve-out lease contracts held by Hawaz. The sale of the carved-out finance lease contracts under which investments properties are held by Hawaz and of the related lease contracts with tenants was authorized by the lessor of the finance lease on March 19, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorized by a resolution of the shareholder on April 23, 2012. Since May 2, 2012, Hawaz and CanCorpEurope have renewed their engagement to sell and to purchase through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

In December 2012 and February 2013, Hawaz's shareholder and the ultimate shareholders have provided comfort letters to Hawaz in order to support the business model until the end of December 2013 (refer to Note 16 – Financial risk management, objectives and policies.

PREI Portfolio Group

Combined Financial Statements for the years ended December 31, 2011, 2010 and 2009

PREI Portfolio Group

Years ended December 31, 2011, 2010 and 2009

Independent auditors' report on the combined financial statements

To the Legal Representative of PREI Holding S.A.S. (the "President"),

We have audited the accompanying combined financial statements of PREI Portfolio Group i.e. Paris Real Estate Investment 2 S.A.R.L and Paris Real Estate Investment 4 S.A.R.L. which comprise the combined balance sheets as at December 31, 2011, 2010, 2009 and January 1, 2009, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in invested equity and the combined statements of cash flows for the years ended December 31, 2011, 2010 and 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the PREI Portfolio Group as at December 31, 2011, 2010, 2009 and January 1, 2009, and its financial performance and its cash flows for the years ended December 31, 2011, 2010 and 2009 in accordance with International Financial Reporting Standards.

Luxembourg, March 28, 2013

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
Werner Weynand

Combined Income Statements for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Combined income statement	Note	2011	2010	2009
Rental income	*4*	4,290	3,624	3,761
Service charge income	*4*	852	706	474
Service charge expense	*5*	(868)	(720)	(784)
Other property operating expense	*5*	(185)	(54)	(239)
Net rental income		4,089	3,557	3,213
Administration expenses	*6*	(808)	(827)	(886)
Valuation gains (losses) from investment property	*10*	2,139	4,482	(4,920)
Operating profit (loss)		5,420	7,212	(2,593)
Finance income	*7*	808	552	5
Finance costs	*7*	(3,287)	(3,773)	(3,855)
Profit (loss) before taxes		2,941	3,991	(6,443)
Income tax expense	*9*	(1,557)	(551)	532
Profit (loss) for the year		**1,384**	**3,438**	**(5,912)**

Combined Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Combined statement of comprehensive income	Note	2011	2010	2009
Profit (loss) for the year		**1,384**	**3,438**	**(5,912)**
Other comprehensive income :				
Total comprehensive income (loss)		1,384	3,438	(5,912)

Combined Balance Sheets as at December 31, 2011, 2010 and 2009 and January 1, 2009

(in thousands of Euros)		As at December 31,			As at January 1,
Assets	**Note**	**2011**	**2010**	**2009**	**2009**
Non-current assets					
Investment property	*10*	57,673	54,778	49,621	53,663
Total non-current assets		57,673	54,778	49,621	53,663
Current assets					
Trade and other receivables	*12*	4,389	2,370	2,369	2,358
Financial assets	*11*	167	416	415	404
Cash and cash equivalents	*13*	670	1,736	1,599	916
Total current assets		5,226	4,522	4,383	3,678
Total assets		**62,899**	**59,299**	**54,004**	**57,341**

(in thousands of Euros)		As at December 31,			As at January 1,
Equity and Liabilities	**Note**	**2011**	**2010**	**2009**	**2009**
Invested equity					
Invested equity		(8,239)	(9,623)	(13,062)	(7,150)
Total invested equity		(8,239)	(9,623)	(13,062)	(7,150)
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	*14*	—	—	—	—
Finance lease liabilities	*14,16*	29,354	31,261	32,682	34,301
Tenant deposits	*17*	446	453	969	944
Deferred tax liabilities	*9*	2,384	828	276	808
Derivative financial instruments	*17.19*	—	—	1,358	1,314
Total non-current liabilities		32,185	32,542	35,285	37,367
Current liabilities					
Interest-bearing loans and borrowings	*14*	27,494	25,159	22,736	20,826
Finance lease liabilities	*14,16*	1,907	1,707	1,585	323
Tenant deposits	*17*	704	692	—	—
Derivative financial instruments	*17.19*	—	807	—	—
Trade and other payables	*15*	8,849	8,016	7,460	5,975
Total Current liabilities		38,954	36,381	31,781	27,124
Total liabilities		71,138	68,923	67,066	64,491
Total equity and liabilities		**62,899**	**59,299**	**54,004**	**57,341**

Combined Statements of changes in Invested Equity

(in thousands of Euros)

Statements of changes in invested Equity	Total invested equity
At January 1, 2009	**(7,150)**
Profit (loss) for the year	(5,912)
Other comprehensive income	—
Total comprehensive income (loss)	***(5,912)***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2009	**(13,062)**
Profit (loss) for the year	3,438
Other comprehensive income	—
Total comprehensive income (loss)	***3,438***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2010	**(9,623)**
Profit (loss) for the year	1,384
Other comprehensive income	—
Total comprehensive income (loss)	***1,384***
Increase in invested equity	—
Payment of dividends	—
At December 31, 2011	**(8,239)**

Combined Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Combined statements of cash flows	**Note**	**2011**	**2010**	**2009**
Cash flow from operating activities				
Profit (loss) before taxes		2,941	3,991	(6,443)
Adjustments to reconcile profit (loss) before taxes to net cash flows				
Capitalised letting fees	*10*	71	(130)	32
Rent free period	*4, 10*	(474)	(96)	(120)
Valuation (gains) / losses from fair value adjustment on investment property	*10*	(2,139)	(4,482)	4,920
Net fair value (gains) / losses on derivative financial instruments	*7*	(794)	(552)	44
Net gain from disposals		(15)	—	—
Finance cost – net	*7*	3,163	3,585	3,895
		2,753	2,317	2,327
Working capital adjustments				
(increase) / decrease in trade and other receivables		(2,019)	(1)	(11)
increase / (decrease) in tenants deposits		5	177	25
increase / (decrease) in trade and other payables		485	510	1,486
Net Cash generated from operating activities		1,224	3,002	3,826
Cash flow from investing activities				
Subsequent expenditure on investment property	*10*	(353)	(449)	(789)
Increase (decrease) of other financial assets		250	286	(11)
Net Cash used in investing activities		(103)	(163)	(801)
Cash flow from financing activities				
Repayment of finance lease liabilities		(1,463)	(1,561)	(357)
Interest paid		(848)	(1,329)	(1,890)
Net Cash used in financing activities		(2,311)	(2,890)	(2,247)
Net (decrease) increase in cash and cash equivalents		**(1,190)**	**(51)**	**779**
Effects of foreign exchange adjustments	*7*	124	188	(84)
Cash & cash equivalents at the beginning of the financial year	*13*	**1,736**	**1,599**	**905**
Cash and cash equivalents at the end of the financial year	*13*	**670**	**1,736**	**1,599**

Notes to the Combined Financial Statements

Note 1 – Basis of preparation

Background and Perimeter of combination

The combined financial statements of PREI Portfolio Group (referred to as the "Group" afterwards) designates the combination of PARIS REAL ESTATE INVESTMENT 2 S.à.r.l ("PREI 2") and PARIS REAL ESTATE INVESTMENT 4 S.à.r.l ("PREI 4"), two private limited companies both created on December 18, 2006 under French law (registration numbers respectively: 493 321 806 RCS PARIS and 420 780 835 RCS Paris). The registered offices of PREI 2 and PREI 4 are located at 52, rue de Bassano 75008 Paris, France.

These combined financial statements have been prepared solely in connection with the initial public offering of INOVALIS Real Estate Investment Trust (the "REIT") (referred to as "the transaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

PREI 2 and PREI 4 are subsidiaries of PREI Holding which is an associate of Inovalis S.A (referred as "the Management Company" or "Inovalis"), a private company specializing in investment fund management in real estate created on November 16, 1998 under French Law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the "AMF") on March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The Combined financial statements of PREI Portfolio Group were authorized for issue by the legal representative of PREI Holding (the "Président") on March 28, 2013.

Nature of Business

The objective of the Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

- PREI 2 holds rights through a finance lease contract on a French commercial property located at 19 and 21 avenue Dubonnet, Courbevoie, France, referred to as the "Dubonnet property" onwards. The sale to CanCorpEurope of the finance lease contract, under which this property is held including the transfer of the lease contracts with the tenants of such property, was duly authorized by a resolution of the sole shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed on May 2, 2012 and since then, the agreement has been renewed through six amendments described in Note 22 – Subsequent Events.
- PREI 4 holds rights through a finance lease contract on a French commercial property located at 40 rue des Jeuneurs, Paris, France, referred to as the "Jeuneurs property" onwards. The sale to CanCorpEurope of the finance lease contract under which this property is held including the transfer of the lease contracts with the tenants of such property was duly authorized by a resolution of the sole shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed on May 2, 2012 and since then, the agreement has been renewed through six amendments described in Note 22 – Subsequent Events.

Methods used for the preparation of the combined financial statements

The accompanying combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") as of December 31, 2011 to present the historical operations and financial position of PREI 2 and PREI 4 as of and for the years ended December 31, 2011, 2010 and 2009, on the basis that these two businesses are ultimately under the control of the same shareholder.

The accompanying combined financial statements as of and for the years 2011, 2010 and 2009, have been derived from the individual financial statements of PREI 2 and PREI 4 historically prepared by the General Managers under French GAAP to comply with IFRS.

No combined financial statements of PREI 2 and PREI 4 have been previously prepared or issued as of and for the years ended December 31, 2011, 2010 and 2009 or for any other period.

The Group is not a legal group or separately established investment entity and did not previously operate as a separate, stand-alone Group. The combined financial statements included herein may not necessary be indicative of the Group's financial position, results of operations, changes in invested equity or cash flows had the Group operated as a stand-alone entity during the periods presented or for future periods.

All intra-group transactions (i.e transactions between PREI 2 and PREI 4), balances and unrealized gains and losses resulting from intra-group transactions have been eliminated.

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Group had been a stand-alone company during the period presented (see Note 18 – Transactions with related parties).

The financial statements of entities in the perimeter of combination are prepared as of the same closing date, using consistent accounting policies.

Changes in total invested equity represent Group's net investment in the Asterisk Portfolio after giving effect to the net earnings (losses) of PREI Portfolio Group.

Accounting policies and disclosures

The accounting policies applied in the preparation of these combined financial statements are based on the IFRS standards and interpretations applicable as on December 31, 2011 which have been consistently applied to all the years presented, unless otherwise stated.

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning on January 2011:

- IAS 1 Amended "Presentation of Items of Other Comprehensive Income";
- IAS 12 Amended "Deferred Tax: Recovery of Underlying Assets";
- IAS 19 Amended "Employee Benefits";
- IAS 27 Revised "Consolidated and Separate Financial Statements";
- IAS 28 Revised "Interests in Associates and Joint Ventures".
- IFRS 7 Amended "Disclosures – Transfers of Financial Assets";
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

The Group intends to adopt these standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards and Amendments on its combined financial statements in the period of initial application.

Note 2 – Significant accounting judgments, estimates and assumptions

The preparation of the Group's combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Management believes that the judgments, estimates and assumptions underlying these combined financial statements are reasonable.

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

Critical judgements in applying the Group's accounting policies

Finance lease – Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Finance lease assets and liabilities are set out in Note 10 – Investment property and Note 16 – Finance lease liabilities.

Critical accounting estimates

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009, 2010 and, to a lesser extent, 2011. Therefore, in arriving at their estimates of market values as at 31 December 2009, 31 December 2010 and

31 December 2011, the valuators used their market knowledge and professional judgment and did not rely solely on transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the valuators in estimating the fair value of investment property are set out in Note 10 – Investment property.

Techniques used for valuing investment property

The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of an Initial Yield, generally referred to as the "All Risks Yield" approach or "Net Initial Yield" approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Fair value of financial instruments

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used by the Group to estimate the fair values of its financial instrument are disclosed in Note 17 – Financial risk management objectives and policies.

Taxes

The Group is subject to income and capital gains taxes in France. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences in investment property depends on the method by which the carrying amount of investment property will be realized.

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recorded in accordance with *IAS 8 Accounting policies, changes in accounting estimates and errors*.

The significant methods and assumptions used in estimating taxes are set out in Note 9 – Taxation.

Note 3 – Significant accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Combined financial statements have been prepared on a historical cost basis, except for investment property and derivative financial instruments that have been measured and accounted for at fair value.

The combined financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Principles of combination

See Note 1 – Basis of preparation.

Foreign currency translation

The combined financial statements are presented in Euros, which is also the functional currency (i.e. the currency of the primary environment in which the entity operates), of all entities included in the combination.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency rate of exchange ruling on the reporting date. All differences are taken to profit or loss.

Investment property

Investment property comprises completed property or re-development held to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognized under IAS 17 at an amount equal to the fair value of the lease property or, if lower, the present value of the minimum payments, each determined at the inception of the lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from, changes in the fair values are included in the income statement in the year in which they arise. For the purpose of these financial statements, in order to avoid "double counting", the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentive and letting fees.

Fair value represents the price that a vendor would receive for the sale of the property and therefore also integrates a deduction for real estate transfer tax that a buyer would incur in acquiring the property and deduct from the net consideration paid to the vendor. Investment properties are stated at fair value based on valuations actually performed at historical dates.

Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, and, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives and financial assets at fair value through profit and losses.

Financial assets recognized in the combined balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Cash and cash equivalents includes cash at bank, bank overdrafts and liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the combined income statement within "Finance income and costs" in the period in which they arise.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swap and options contracts for hedging purposes (hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognized in the combined income statement in "Finance income and costs".

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the combined balance sheet.

Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Net change in fair value of financial instruments at fair value through profit or loss" in the period in which they arise.

Derivatives and hedging

The Group uses interest rate swaps and options to hedge its risks associated with interest rates. The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value through profit or loss; transaction costs are included directly in finance costs.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Rent and other receivables

Rent and other receivables are recognized at the lower of their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Provisions are presented in the income statement within "Other property operating expenses".

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows comprise cash at bank, bank overdrafts plus liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method.

Trade and other payables

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

Tenant deposits

The Group obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 2 to 3 months. Such deposits are treated as financial assets in accordance with IAS 39, and they are initially recognized at fair value and subsequently measured at amortized cost.

Operating lease contracts – Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Revenue recognition

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the expense is incurred. Service charges are included in the net rental income.

Interest income and expenses

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

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

The carrying value of the Group's investment property will generally be realized by combination of income (rental stream during the period of use) and capital (the consideration on the sale at the end of use). The length of the period for which a property will be held prior to disposal is based on the Group's current plans and recent experience with similar properties. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the balance sheet.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Note 4 – Revenue

(in thousands of Euros)	**For the years ended December 31,**		
Revenue	**2011**	**2010**	**2009**
Rental income	4,290	3,624	3,761
Service charge income	852	706	474
Total revenue	**5,141**	**4,330**	**4,236**

The Group has entered into operating leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break-options before the end of the lease term.

Future minimum leases receivable under non-cancellable operating leases as at December 31 are as follows:

	For the years ended December 31,		
(in thousands of Euros)	**2011**	**2010**	**2009**
Within 1 year	3,701	3,721	3,625
After 1 year, but not more than 5 years	23,539	22,390	21,414
More than 5 years	—	4,851	9,548
	27,240	**30,962**	**34,587**

The Group has granted incentives such as rent-free periods to new tenants. The average number of months of rent-free periods granted is 5 months. The total unamortized portion of rent-free periods is detailed as follows:

(in thousands of Euros)	For the years ended December 31,		
	2011	2010	2009
Gross amount of lease incentives not fully amortized	312	216	96
Recognized in profit or loss	474	96	120
Net amount of lease incentives not fully amortized	**786**	**312**	**216**

Note 5 – Service charge and other property operating expenses

(in thousands of Euros)	For the years ended December 31,		
Service charge and other property operating expenses	2011	2010	2009
Operating expenses	(868)	(709)	(784)
Maintenance and repairs	(0)	(11)	—
Service charge expense	(868)	(720)	(784)
Property management expenses	(182)	(154)	(136)
Bad debt allowance	(2)	101	(103)
Other	(1)	(0)	—
Other property operating expense	(185)	(54)	(239)
Total property expenses	**(1,053)**	**(774)**	**(1,023)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 6 – Administration expenses

(in thousands of Euros)	For the years ended December 31,		
Administration expenses	2011	2010	2009
Asset management fees	(636)	(693)	(698)
Other fees	(4)	(17)	—
Other general and administrative expenses	(168)	(117)	(188)
Total administration expenses	**(808)**	**(827)**	**(886)**

Note 7 – Finance income and costs

(in thousands of Euros)	For the years ended December 31,		
Finance income	2011	2010	2009
Finance income	—	—	5
Net change in fair value of financial instruments at fair value through profit or loss	794	552	—
Other finance income	15	—	—
Total finance income	**808**	**552**	**5**

(in thousands of Euros)	For the years ended December 31,		
Finance costs	2011	2010	2009
Finance costs on derivative instrument, net	(113)	(222)	—
Interest on interest-bearing loans and borrowings	(2,211)	(2,235)	(2,427)
Finance lease – interest	(839)	(1,128)	(1,468)
Finance cost – net	**(3,163)**	**(3,585)**	**(3,895)**
Net change in fair value of financial instruments at fair value through profit or loss	—	—	(44)
Net foreign exchange loss	(124)	(188)	84
Total finance costs	**(3,287)**	**(3,773)**	**(3,855)**

Note 8 – Segment information

All of the properties included in these combined financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the PREI Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to € 3,874 thousand for 2011, € 3,093 thousand for 2010 and € 3,165 thousand for 2009.

Note 9 – Taxation

The major components of income tax expense for the years ended December 31, 2011, 2010 and 2009 are:

(in thousands of Euros)	**As at December 31,**		
Income tax	**2011**	**2010**	**2009**
Current tax	—	—	—
Deferred tax	(1,557)	(551)	532
Income tax expense reported in the income statement	**(1,557)**	**(551)**	**532**

	As at December 31,		
	2011	**2010**	**2009**
Profit before tax	**2,941**	**3,991**	**(6,443)**
Tax calculated at tax rate applicable to group profits (33.33%)	(980)	(1,330)	2,148
Non deductible expenses	(509)	(553)	(599)
Utilisation of previously unrecognised tax losses	—	1,331	—
Tax losses for which no deferred income tax asset was recognised	(67)	—	(1,016)
Total tax expense reported in the income statement	**(1,557)**	**(551)**	**532**

	Combined balance sheets			**Combined income statement**		
	As at December 31,			**As at December 31,**		
(in thousands of Euros)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Deferred tax liabilities						
Revaluations of investment property to fair value	3,754	3,000	1,474	(754)	(1,526)	1,612
Rent free period	113	57	72	(57)	15	(40)
Paid and amortisation of capitalised letting fees	56	80	37	24	(43)	11
Other deferred tax liabilities	298	223	149	(74)	(74)	(74)
	4,221	**3,360**	**1,732**			
Deferred tax assets						
Restatement of lease	922	1,558	581	(636)	977	(2,176)
Revaluations of financial instrument to fair value	(3)	261	445	(265)	(184)	15
Losses available for offset against future taxable	912	713	426	199	287	1,190
Other deferred tax assets	6	1	4	5	(3)	(5)
	1,837	**2,532**	**1,455**			
Deferred income tax expense				**(1,557)**	**(551)**	**532**
Deferred tax assets / (liabilities) net	**(2,384)**	**(828)**	**(276)**			
Reflected in the balance sheet as follows :						
– Deferred tax assets	—	—	—			
– Deferred tax liabilities	(2,384)	(828)	(276)			
Deferred tax assets / (liabilities) net	**(2,384)**	**(828)**	**(276)**			

The Group has tax losses which arose in France of € 9,715 thousand (in 2010, tax losses were € 8,915 thousand and in 2009, € 12,049 thousand) that can be carried forward indefinitely against future taxable income of the companies in which the losses arose. The Group did not recognize deferred income tax assets in respect of the losses amounting to € 6,979 thousand (in 2010, losses were € 6,777 thousand and in 2009, € 10,271 thousand).

The two French entities included in the combined financial statements are members of the tax group set up by PREI Holding under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and PREI Holding, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to December 31, 2011.

For the year ended 2011, the amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The fraction of the tax loss that can be charged is carried forward to subsequent years and is due on the same terms. As before, this deferral of tax losses can be carried out indefinitely unless the Group leaves the tax group.

Note 10 – Investment property

(in thousands of Euros)	**As at December 31,**		
Investment property	**2011**	**2010**	**2009**
At the beginning of the year	**54,778**	**49,621**	**53,663**
Additions	353	449	789
Disposals	—	—	—
Capitalised letting fees	(71)	130	(32)
Rent free period	474	96	120
Fair value adjustment	2,139	4,482	(4,920)
At the end of the year	**57,673**	**54,778**	**49,621**

The fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 2 – Significant accounting judgments, estimates and assumptions, in arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

The valuations were performed by leading independent appraisers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The significant assumptions made relating to valuations are set out below:

(in thousands of Euros)	**France**	
2011	**Building "Dubonnet"**	**Building "Jeuneurs"**
Passing rent per sqm	158	541
Estimated rental value (market rent) per sqm	243	458
Average net initial yield	5.41%	8.36%
Reversionary yield	8.30%	7.07%
Inflation rate[(i)]	INSEE index cost of construction	

(in thousands of Euros)	**France**	
2010	**Building "Dubonnet"**	**Building "Jeuneurs"**
Passing rent per sqm	189	546
Estimated rental value (market rent) per sqm	251	440
Average net initial yield	6.58%	9.14%
Reversionary yield	8.75%	7.36%
Inflation rate[(i)]	INSEE index cost of construction	

(in thousands of Euros)	**France**	
2009	**Building "Dubonnet"**	**Building "Jeuneurs"**
Passing rent per sqm	70	574
Estimated rental value (market rent) per sqm	251	443
Average net initial yield	3.03%	9.61%
Reversionary yield	10.81%	7.43%
Inflation rate[(i)]	INSEE index cost of construction	

(i): Cost of construction Index (www.insee.fr): The cost-of-construction index measures trends each quarter in the prices of new buildings for mainly residential use. It concerns the price inclusive of VAT paid by owners to construction companies. It excludes prices and costs relating to the land (site preparation, special foundations...) and any fees, developer costs and financial costs, and does not cover maintenance and improvement operations.

As at December 31, 2011 properties with an aggregate value of € 58,650 thousand (in 2010, the value was € 55,720 thousand and in 2009, € 50,530 thousand), before deduction of real estate transfer tax on purchase option are held under lease agreements. Future lease payments are presented in Note 16 – Finance lease liabilities.

As at December 31, 2011, 2010 and 2009 the portfolio had the following vacancy rates calculated based on the Estimated Rental Values:

	Building "Dubonnet"	Building "Jeuneurs"
2011		
Vacancy rate	7.17%	—
2010		
Vacancy rate	7.55%	—
2009		
Vacancy rate	51.19%	—

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

(in thousands of Euros)	For the years ended December 31,		
	2011	2010	2009
Increase in yield of 25bps	(2,110)	(1,950)	(1,720)
Decrease in rental rates of 5%	(2,930)	(2,790)	(2,630)

Note 11 – Financial assets

Financial assets held by the Group are exclusively composed of SICAV (money-market mutual fund). Changes in financial assets can be detailed as follows:

(in thousands of Euros)	As at December 31,		
Financial assets	2011	2010	2009
At the beginning of the year	**416**	**415**	**404**
Additions	—	—	11
Fair value adjustment	(13)	1	(1)
Disposals	(235)	—	—
At the end of the year	**167**	**416**	**415**

Note 12 – Trade and other receivables

(in thousands of Euros)	As at December 31,		
Trade and other receivables	2011	2010	2009
Trade receivables	311	242	1,182
Provision for impairment of receivables	(13)	(11)	(111)
Trade receivables	**298**	**231**	**1,071**
Receivables from related parties	3,694	1,683	1,128
VAT receivable	364	456	151
Other Asset	33	—	19
Prepaid expenses	—	—	1
Other receivables	**4,091**	**2,139**	**1,298**
Total trade and other receivables	**4,389**	**2,370**	**2,369**

The share of trade and other receivables with related parties is disclosed in Note 18 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Movements in the provision for impairment of receivables were as follows:

Provision for impairment of receivables	
At the beginning of the year 2009	**(8)**
Charge for the year	(103)
Utilised	—
At the end of the year 2009	**(111)**
Charge for the year	—
Utilised	101
At the end of the year 2010	**(11)**
Charge for the year	(2)
Utilised	—
At the end of the year 2011	**(13)**

Note 13 – Cash and cash equivalents

(in thousands of Euros)	As at December 31,		
Cash and cash equivalents	**2011**	**2010**	**2009**
Cash at bank and on hand	670	1,736	1,599
Total Cash and cash equivalents	**670**	**1,736**	**1,599**

As set out in Note 21 – Off-balance sheet commitments, some bank accounts are pledged in favor of the lessor. The amount pledged at the end of the reporting period is € 157 thousand (in 2010, € 392 thousand and in 2009, € 392 thousand).

Note 14 – Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at December 31, 2011	2010	2009	2011	2010	2009
			Non current			Current		
€ 7,254,000 subordinated loan	11%	31/12/2013	—	—	—	9,647	8,850	8,052
€ 48,000 subordinated loan	11%	31/12/2013	—	—	—	72	66	61
Total interests-bearing loans and borrowings			—	—	—	9,719	8,916	8,113
€ 21,646,000 finance lease liabilities	Euribor 3M + 1.05% Euribor 3M + 2.40%	13/01/2019	16,200	17,217	18,132	1,017	915	864
Total finance lease liabilities			16,200	17,217	18,132	1,017	915	864
PREI 4 – Building “Jeuneurs”			**16,200**	**17,217**	**18,132**	**10,736**	**9,830**	**8,976**
€ 10,478,000 subordinated loan	11%	31/12/2013	—	—	—	13,935	12,783	11,630
€ 462,000 subordinated loan	11%	31/12/2013	—	—	—	694	640	589
€ 2,236,000 subordinated loan	8.50%	10/07/2013	—	—	—	3,145	2,820	2,404
Total interests-bearing loans and borrowings			—	—	—	17,775	16,243	14,623
€ 16,061,000 finance lease liabilities	Euribor 3M + 1.20% Euribor 3M + 2.20%	16/10/2015	13,154	14,043	14,550	890	793	721
Total finance lease liabilities			13,154	14,043	14,550	890	793	721
PREI 2 – Building “Dubonnet”			**13,154**	**14,043**	**14,550**	**18,665**	**17,036**	**15,344**
Total interests-bearing loans and borrowings			—	—	—	27,494	25,159	22,736
Total finance lease liabilities			29,354	31,261	32,682	1,907	1,707	1,585
			29,354	**31,261**	**32,682**	**29,400**	**26,866**	**24,320**

Subordinated loans have been subscribed by the ultimate shareholders Inovalis, IIB France Investments Holding BSC (referred to as IIB France) and IIB BSC. Ultimate shareholders agreed in 2012 to extend the initial maturities of the Subordinated loans due December 18, 2011 and June 30, 2012 to December 31, 2013 and July 10, 2013 (Refer to Note 22 – Subsequent events for the details of the renegotiation of the subordinated loans).

PREI 2 and PREI 4 did not pay their pending coupons on the subordinated loans for the years ended December 31, 2011, 2010 and 2009. Due to the default of payment of the pending coupons Inovalis, IIB France Investments Holding BSC and IIB BSC could have asked for immediate

reimbursement of the subordinated loans (the dates of the waivers obtained by PREI 2 and PREI 4 are presented in Note 18 – Transactions with related parties) and consequently the subordinated loans have been presented as current whatever the contractual due date.

Note 15 – Trade and other payables

(in thousands of Euros)	**As at December 31,**		
Trade payables	**2011**	**2010**	**2009**
Trade payables	506	323	148
Payables to related parties	2,854	1,949	1,415
Trade payables	**3,360**	**2,272**	**1,563**
Other payables to related parties	5,368	4,919	4,809
VAT payable	51	35	114
Other liabilities	70	790	80
Deferred income	—	—	895
Other payables	**5,488**	**5,744**	**5,897**
Total trade and other payables	**8,849**	**8,016**	**7,460**

The share of trade and other payables on related parties is disclosed in Note 18 – Transactions with related parties. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 16 – Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property (See Note 10 – Investment property). The leases are accounted for as finance leases.

Typically in these leases:

- lease terms are 12 years (starting October 16, 2003) and 15 years (starting January 14, 2004);
- the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- at the inception of the leases, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	2011		**2010**		**2009**	
(in thousands of Euros)	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	1,907	2,572	1,707	2,582	1,585	2,715
After 1 year, but not more than 5 years	17,796	19,521	18,451	20,561	7,719	10,192
More than 5 years	11,558	12,209	12,809	13,711	24,964	26,369
	31,261	**34,302**	**32,968**	**36,854**	**34,267**	**39,276**
Less : future interest costs		(3,041)		(3,886)		(5,009)
	31,261	**31,261**	**32,968**	**32,968**	**34,267**	**34,267**
Of which is non current	29,354		31,261		32,682	
Of which is current	1,907		1,707		1,585	
	31,261		**32,968**		**34,267**	

Terms of loans and borrowings related to these finance leases are presented in Note 14 – Interest-bearing loans and borrowings.

Note 17 – Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Managers use the services of Inovalis for financial risk management.

The General Managers and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advises on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in

accordance with Group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Managers have reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Given its level of debt, the Group is exposed to significant risks related to liquidity and changes in interest rates. It is also exposed to currency risks considering it entered into a financing facility agreement in United States Dollars. The Group's counterparty risk in relation to its derivatives is not significant as the majority of its derivatives are set up with leading banks with strong ratings.

Generally, interest rate and currency risks are managed centrally for the Group as a whole by the Debt Management Department.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate swaps and options, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, the Group also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Sensitivity analysis

The analysis below shows the impacts on profit before taxes and equity of changes in fair value of derivative held by PREI 2 and PREI 4 due to reasonably possible movements in interests rates (with all other variables held constant).

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
2011		
Euribor	+25	—
Euribor	-25	—
2010		
Euribor	+25	(42)
Euribor	-25	42
2009		
Euribor	+25	(98)
Euribor	-25	98

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency (EUR).

PREI 2's only exposure to foreign exchange risk with respect to the United States Dollars arises exclusively from a financing facility agreement in United States Dollars.

The group treasury's risk management policy is not to hedge this exposure.

Sensitivity analysis

The analysis below describes reasonably possible movements in foreign exchange rates with all other variables held constant, showing the impact on profit before taxes and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
2011		
Exchange rate	+5	127
Exchange rate	-5	(140)
2010		
Exchange rate	+5	123
Exchange rate	-5	(136)
2009		
Exchange rate	+5	114
Exchange rate	-5	(126)

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk" below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of association
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Managers. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund's operation.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs on subordinated loans which are presented in a separate table below and future interest costs on finance lease liabilities which are presented in Note 16 – Finance lease liabilities). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2011						
Interest-bearing loans and borrowings	—	27,494	—	—	—	27,494
Finance leases	—	468	1,439	17,796	11,558	31,261
Tenant deposits	66	638	—	241	205	1,151
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	8,849	—	—	—	8,849
	66	**37,449**	**1,439**	**18,037**	**11,764**	**68,754**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2010						
Interest-bearing loans and borrowings	—	25,159	—	—	—	25,159
Finance leases	—	426	1,281	18,451	12,810	32,968
Tenant deposits	66		626	34	419	1,146
Derivative financial instruments	—	—	807	—	—	807
Trade and other payables	—	8,016	—	—	—	8,016
	66	**33,600**	**2,715**	**18,485**	**13,229**	**68,095**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2009						
Interest-bearing loans and borrowings	—	22,736	—	—	—	22,736
Finance leases	—	391	1,194	7,719	24,963	34,267
Tenant deposits	—	—	—	624	345	969
Derivative financial instruments	—	—	—	1,358	—	1,358
Trade and other payables	—	7,460	—	—	—	7,460
	—	**30,587**	**1,194**	**9,700**	**25,309**	**66,789**

Future interest costs on subordinated loans

The analysis below describes reasonably possible future interest costs on subordinated loans with all other variables held constant.

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2011						
€ 10,478,000 subordinated loan	11%	31/12/2013	2,305	1,153	1,153	—
€ 462,000 subordinated loan	11%	31/12/2013	102	51	51	—
€ 2,236,000 subordinated loan	8.50%	10/07/2013	290	190	99	—
€ 7,254,000 subordinated loan	11%	31/12/2013	1,596	798	798	—
€ 48,000 subordinated loan	11%	31/12/2013	11	5	5	—
Total future interest costs			**4,303**	**2,197**	**2,106**	**—**

As set out in Note 14 – Interest-bearing loans and borrowings, the initial maturities of the subordinated loans have been extended.

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2010						
€ 10,478,000 subordinated loan	11%	18/12/2011	1,111	1,111	—	—
€ 462,000 subordinated loan	11%	18/12/2011	49	49	—	—
€ 2,236,000 subordinated loan	8.50%	30/06/2012	284	190	94	—
€ 7,254,000 subordinated loan	11%	18/12/2011	769	769	—	—
€ 48,000 subordinated loan	11%	18/12/2011	5	5	—	—
Total future interest costs			**2,219**	**2,125**	**94**	**—**

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended December 31, 2009						
€ 10,478,000 subordinated loan	11%	18/12/2011	2,264	1,153	1,111	—
€ 462,000 subordinated loan	11%	18/12/2011	100	51	49	—
€ 2,236,000 subordinated loan	8.50%	30/09/2010	142	142	—	—
€ 7,254,000 subordinated loan	11%	18/12/2011	1,567	798	769	—
€ 48,000 subordinated loan	11%	18/12/2011	10	5	5	—
Total future interest costs			**4,084**	**2,149**	**1,935**	**—**

Liquidity management

These combined financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the businesses of both PREI 2 and PREI 4 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

As of March 8, 2012 and May 13, 2012, respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder (International Investment Bank referred to as "IIB BSC") issued comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2012.

As of March 8, 2012, Inovalis also confirmed it will not ask for the payment of the fees due by PREI 2 and PREI 4 until the end of 2012.

Comfort letters to support the business model of the two entities until the end of 2013 and renegotiations of subordinated loans occurred during the year 2012 are described in Note 22 Subsequent events.

Fair value of assets and liabilities

Below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are carried in the financial statements.

	Carrying amount			**Fair value**		
	As at December 31,			**As at December 31,**		
(in thousands of Euros)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Financial assets						
Trade and other receivables	4,389	2,370	2,369	4,389	2,370	2,369
Cash and cash equivalents	670	1,736	1,599	670	1,736	1,599
	5,059	**4,106**	**3,969**	**5,059**	**4,106**	**3,969**
Financial liabilities						
Interest-bearing loans and borrowings	27,494	25,159	22,736	27,494	25,159	22,736
Finance leases	31,261	32,968	34,267	29,314	29,833	31,579
Tenant deposits	1,150	1,146	969	1,150	1,146	969
Derivative financial instruments	—	807	1,358	—	807	1,358
Trade and other payables	8,849	8,016	7,460	8,849	8,016	7,460
	68,753	**68,095**	**66,789**	**66,806**	**64,960**	**64,102**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair values of the subordinated loans subscribed by ultimate shareholders in their capacity as lenders are considered to be their nominal values.
- The fair values of the derivative interest rate swap and options contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy* :

(in thousands of Euros)	As at December 31, Level 1	Level 2	Level 3	Total fair value
2011				
Derivative financial instruments (liabilities)	—	—	—	—
	—	—	—	—
	Level 1	**Level 2**	**Level 3**	**Total fair value**
2010				
Derivative financial instruments (liabilities)	—	807	—	807
	—	**807**	**—**	**807**
	Level 1	**Level 2**	**Level 3**	**Total fair value**
2009				
Derivative financial instruments (liabilities)	—	1,358	—	1,358
	—	**1,358**	**—**	**1,358**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 18 – Transactions with related parties

The Group's immediate parent company is "PREI Holding", which owns 100% of PREI 2 and PREI 4's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros) Related parties	Total	Amount due to Inovalis	Amount due to Realista (Subsidiary of Inovalis)	Amount due to PREI Holding	Amount due to IIB BSC and IIB France
2011					
Fees(i)	(811)	(636)	(175)	—	—
Interest	(2,211)	(60)	—		(2,151)
Intercompany account (assets)	3,694	—	—	3,694	—
Intercompany account (liabilities)	(5,368)	—	—	(5,368)	—
Trade payable	(2,854)	(2,632)	(222)	—	—
Interests-bearing loans and borrowings	(27,494)	(766)	—	—	(26,728)
2010					
Fees(i)	(838)	(693)	(145)	—	—
Interest	(2,235)	(56)	—	—	(2,179)
Intercompany account (assets)	1,683	—	—	1,683	—
Intercompany account (liabilities)	(4,919)	—	—	(4,919)	—
Trade payable	(1,949)	(1,856)	(93)	—	—
Interests-bearing loans and borrowings	(25,159)	(706)	—	—	(24,453)
2009					
Fees(i)	(835)	(699)	(136)	—	—
Interest	(2,221)	(56)	—	—	(2,165)
Intercompany account (assets)	1,128	—	—	1,128	—
Intercompany account (liabilities)	(4,809)	—	—	(4,809)	—
Trade payable	(1,415)	(1,333)	(82)	—	—
Interests-bearing loans and borrowings	(22,736)	(650)	—	—	(22,086)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort granted by the ultimate shareholders in their capacity as lenders are described in Note 17 – Financial risk management objectives and policies, in Note 22 – Subsequent events and in Note 14 – Interest bearing loans and borrowings and finance lease liabilities.
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 17 – Financial risk management objectives and policies.
- Currents accounts with PREI Holding are non-interest bearing.

Comfort letters were signed by ultimate shareholders in their capacity as lenders to confirm they will not ask for the payment of the subordinated loans and the pending coupons. The table below summarizes for each subordinated loan the date of signing of the comfort letter, years covered and the interest rates charged:

		Effective interest rate		
(in thousands of Euros)	**Lender**	**2011**	**2010**	**2009**
As at December 31,				
€ 10,478,000 subordinated loan	IIB France	11%	11%	11%
€ 7,254,000 subordinated loan	IIB BSC	11%	11%	11%
€ 2,236,000 subordinated loan	IIB BSC	8.50%	8.50%	8.50%
Waivers and Comfort letters				
Date of signature and year covered		May 15, 2011	—	—

		2011	**2010**	**2009**
As at December 31,				
€ 462,000 subordinated loan	Inovalis	11%	11%	11%
€ 48,000 subordinated loan	Inovalis	11%	11%	11%
Waivers and Comfort letters				
Date of signature and year covered		April 29, 2011	—	—

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, PREI 2 and PREI 4 (associates of Inovalis) both signed with CanCorpEurope (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, PREI2 and PREI 4 and CanCorpEurope have renewed their engagement to sell and to purchase the investment properties through six amendments (refer to Note 22 – Subsequent events).

(i) Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.9% plus 0.1% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration calculated as 0.2% of the value of the managed property (value at the date of inception of the agreement) plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in "Administration expenses" in the combined income statement, and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the combined balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plans to investors, making settlements included in the annual budget and business plans and contracting with third parties.

Property management fees are included in "Other property operating expense" in the combined income statement, and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the combined balance sheets.

Note 19 – Derivative financial instruments and hedging activities

The Group has entered into an interest rate swap and options with notional amounts of € 21,646 thousand (in 2010, the notional amount was € 21,646 thousand and in 2009, € 21,646 thousand) whereby it receives a variable rate of interest based on Euribor 3M and pays a fixed rate of interest at 4.80% on the notional amount. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (Note 14 – Interest-bearing loans and borrowings).

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of € 0 (in 2010, the fair value was € 807 thousand and in 2009, € 1,358 thousand).

Note 20 – Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 21 – Off-balance sheet commitments

(in thousands of Euros)

Off-balance sheet commitments	**2011**
Pledge of sums standing to the credit of the current bank account in favor of lessors	318
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	312
Pledge of financial instrument accounts (money-market funds) in favor of lessors	157
PREI 2 – "Dubonnet" Building	**786**
Pledge of sums standing to the credit of the current bank account in favor of lessors	351
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	826
PREI 4 – "Jeuneurs" Building	**1,177**

Off-balance sheet commitments	**2010**
Pledge of sums standing to the credit of the current bank account in favor of lessors	583
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	394
Pledge of financial instrument accounts (money-market funds) in favor of lessors	392
PREI 2 – "Dubonnet" Building	**1,369**
Pledge of sums standing to the credit of the current bank account in favor of lessors	1,156
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	944
PREI 4 – "Jeuneurs" Building	**2,100**

Off-balance sheet commitments	**2009**
Pledge of sums standing to the credit of the current bank account in favor of lessors	497
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	817
Pledge of financial instrument accounts (money-market funds) in favor of lessors	392
PREI 2 – "Dubonnet" Building	**1,707**
Pledge of sums standing to the credit of the current bank account in favor of lessors	1,098
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	1,061
PREI 4 – "Jeuneurs" Building	**2,159**

The lessors of the "Dubonnet" Building are GENEFIM and CICOBAIL (collectively referred to as "the lessor")

The lessors of the "Jeuneurs" Building are FINAMUR (a subsidiary of Crédit Agricole Leasing & Factoring) and NATIOCREDIMURS (a subsidiary of BNP Paribas Leasing Solutions) (collectively referred to as "the lessor")

According to the finance lease agreements the shares of PREI 2 and PREI 4 are pledged in favor of the lessors and PREI 2 and PREI 4 assigned their fully owned receivables that have arisen or that may subsequently arise against tenants (until lessors' rights lapse) in favor of the lessors. PREI 4 additionally pledged its intangible assets attached to the finance lease contract (i.e. leasehold rights and promise of sale) in favor of the lessors.

(in thousands of Euros)

Off-balance sheet commitments received	**2011**
Bank guarantee on first demand on the lease SMART&CO for a period of 9 years for €1,600 thousand in the first three years and €1,200 thousand for the next three years and €800 thousand for the last three years	1,600
PREI 2 – "Dubonnet" Building	**1,600**

Off-balance sheet commitments received	**2010**
Bank guarantee on first demand on the lease SMART&CO for a period of 9 years for €1,600 thousand in the first three years and €1,200 thousand for the next three years and €800 thousand for the last three years	1,600
PREI 2 – "Dubonnet" Building	**1,600**

Note 22 – Subsequent Events

Comfort letter and Debt renegotiation

As described in Note 17 – Financial risk management objectives and policies, Inovalis and IIB BSC have provided support to PREI 2 and PREI 4 for the year ended December 31, 2012.

As of December 17, 2012 and January 20, 2013 respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder IIB BSC issued comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2013.

On July 11, 2012, the subordinated loan between IIB BSC and PREI 2 was amended to postpone the due date to July 10, 2013. On August 28, 2012, the subordinated loans between IIB France and PREI 2 and PREI 4 were renegotiated to extend the maturity date until December 31, 2013. On November 26, 2012, the subordinated loans between Inovalis and PREI 2 and PREI 4 were renegotiated to postpone the due date as of December 31, 2013.

Bilateral promise of sale

On May 2, 2012, PREI 2 and PREI 4 signed with CanCorpEurope a bilateral promise of sale of the lease contracts held. The sale of lease contracts under which investments properties are held by PREI 2 and PREI 4 (and of the related lease contracts with tenants) was authorized by the lessors of the finance leases on March 19, 2013 and March 25, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorised by a resolution of the sole shareholder on April 23, 2012. Since May 2, 2012, PREI2 and PREI 4 and CanCorpEurope have renewed their agreement to sell and to purchase the investment properties through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

Others subsequent events

Subsequent to the year ended December 31, 2011, PREI 4 and Conservatoire National des Arts et Métiers (a tenant of 40 rue des Jeuneurs property) have agreed to a renewal of the lease for a period of nine years and an annual amount of € 2,045 thousand.

A tax audit of PREI 2 conducted by the French Tax Authority on fiscal years 2009, 2010 and 2011 started in October 2012 and is still in progress.

WEL 6

Financial Statements for the years ended December 31, 2011, 2010 and 2009

Wel 6 S.A.R.L.

Years ended December 31, 2011, 2010 and 2009

Independent auditors' report on the financial statements

To the Legal Representative of Wel 6 S.A.R.L. (the "Gérant"),

We have audited the accompanying financial statements of Wel 6 S.A.R.L., which comprise the balance sheets as at December 31, 2011, 2010, 2009 and January 1, 2009, and the income statements, the statements of comprehensive income, the statements of changes in shareholders' equity and the statements of cash flows for the years ended December 31, 2011, 2010, 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wel 6 S.A.R.L. as at December 31, 2011, 2010, 2009 and January 1, 2009 and its financial performance and its cash flows for the years ended December 31, 2011, 2010 and 2009 in accordance with International Financial Reporting Standards.

Luxembourg, March 28, 2013

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
Werner Weynand

Income Statements for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)

Income statements	**Note**	**For the years ended December 31,** 2011	2010	2009
Rental income	*4*	1,350	1,351	1,350
Service charge income	*4*	107	53	47
Service charge expense	*5*	(93)	(49)	(52)
Other property operating expense	*5*	(81)	(54)	(54)
Net rental income		1,283	1,301	1,291
Administration expenses	*6*	(72)	(89)	(119)
Valuation gains (losses) from investment property	*10*	(1,148)	1,093	(169)
Operating profit (loss)		63	2,305	1,004
Finance income	*7*	—	285	—
Finance costs	*7*	(1,185)	(1,233)	(1,775)
Profit (loss) before taxes		(1,121)	1,357	(771)
Income tax expense	*9*	—	—	—
Profit (loss) for the year		**(1,121)**	**1,356**	**(771)**

Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		For the years ended December 31,		
Statements of comprehensive income	Note	2011	2010	2009
Profit (loss) for the year		**(1,121)**	**1,356**	**(771)**
Other comprehensive income :				
		—	—	—
Total comprehensive income (loss)		(1,121)	1,356	(771)

Balance Sheets as at December 31, 2011, 2010, 2009 and January 1, 2009

(in thousands of Euros)		As at December 31,			As at January 1,
Assets	**Note**	**2011**	**2010**	**2009**	**2009**
Non-current assets					
Investment property	*10*	19,821	20,728	19,635	20,151
Deferred tax assets	*9*	—	—	—	—
Total non-current assets		19,821	20,728	19,635	20,151
Current assets					
Trade and other receivables	*11*	152	263	99	19
Derivative financial instruments	*16, 18*	—	—	—	—
Cash and cash equivalents	*12*	249	190	431	190
Total current assets		401	453	530	209
Total assets		**20,223**	**21,181**	**20,165**	**20,360**

(in thousands of Euros)		As at December 31,			As at January 1,
Equity and Liabilities	**Note**	**2011**	**2010**	**2009**	**2009**
Shareholder's equity					
Share capital		1	1	1	1
Retained earnings		(4,329)	(3,208)	(4,564)	(3,793)
Total equity		(4,328)	(3,207)	(4,563)	(3,792)
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	*13*	—	—	—	3,977
Finance lease liabilities	*15*	16,554	16,554	16,554	16,554
Deferred tax liabilities	*9*	—	—	—	—
Derivative financial instruments	*16, 18*	1,600	1,567	1,501	1,252
Total non-current liabilities		18,154	18,121	18,056	21,783
Current liabilities					
Interest-bearing loans and borrowings	*13*	5,207	5,073	5,210	666
Finance lease liabilities	*15*	—	—	—	—
Derivative financial instruments	*16, 18*	—	—	—	—
Trade and other payables	*14*	1,189	1,193	1,462	1,703
Total Current liabilities		6,396	6,266	6,672	2,369
Total liabilities		24,550	24,388	24,728	24,152
Total equity and liabilities		**20,223**	**21,181**	**20,165**	**20,360**

Statements of changes in shareholder's Equity

(in thousands of Euros)

Statements of changes in shareholder's equity	Share capital	Retained earnings	Total equity
At January 1, 2009	**1**	**(3,793)**	**(3,792)**
Profit (loss) for the year	—	(771)	(771)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	(771)	(771)
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At December 31, 2009	**1**	**(4,564)**	**(4,563)**
Profit (loss) for the year	—	1,356	1,356
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	1,356	1,356
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At December 31, 2010	**1**	**(3,208)**	**(3,207)**
Profit (loss) for the year	—	(1,121)	(1,121)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	(1,121)	(1,121)
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At December 31, 2011	**1**	**(4,329)**	**(4,328)**

Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009

(in thousands of Euros)		**For the years ended December 31,**		
Statements of cash flows	**Note**	**2011**	**2010**	**2009**
Cash flow from operating activities				
Profit (loss) before taxes		(1,121)	1,357	(771)
Adjustments to reconcile profit (loss) before taxes to net cash flows				
Capitalised letting fees	*10*	(241)	—	—
Valuation (gains) / losses from fair value adjustment on investment property	*10*	1,148	(1,093)	169
Net fair value (gains) / losses on derivative financial instruments	*7*	33	65	250
Finance income	*7*	—	(285)	—
Other financial costs	*7*	56	78	100
Finance cost – net	*7*	1,096	1,088	1,425
		970	1,211	1,172
Working capital adjustments				
(increase) / decrease in trade and other receivables		111	(164)	(80)
increase / (decrease) in trade and other payables		31	(539)	(22)
Net Cash generated from operating activities		1,113	507	1,071
Cash flow from investing activities				
Proceeds from sale of investment property	*10*	—	—	348
Net Cash used in investing activities		—	—	348
Cash flow from financing activities				
Proceeds from borrowings		—	58	343
Interest paid		(1,053)	(806)	(1,521)
Net Cash used in financing activities		(1,053)	(748)	(1,178)
Net (decrease) increase in cash and cash equivalents		**59**	**(241)**	**241**
Cash & cash equivalents at the beginning of the financial year	*12*	**190**	**431**	**190**
Cash and cash equivalents at the end of the financial year	*12*	**249**	**190**	**431**

Notes to the Financial Statements

Note 1 – Basis of preparation

Background

WEL 6 is a private limited company, established on December 15, 2006 under French law (registration number: 493 276 588 RCS PARIS). The address of its registered office is 52, rue de Bassano 75008 Paris, France.

These financial statements have been prepared solely in connection with the initial public offering of Inovalis Real Estate Investment Trust (the "REIT") (referred to as the "Transaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

Wel 6 is a subsidiary of EURO ELYSEES 2 which is a subsidiary of Inovalis S.A (referred to as the "Management company" or "INOVALIS"), a private company specializing in investment fund management in real estate created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the "AMF") in March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The financial statements of Wel 6 were authorized for issue by the legal representative (the "Gérant") on March 28, 2013.

Nature of Business

The objective of Wel 6 is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

WEL 6 holds rights through a finance lease contract on German commercial property located at Hans-Böckler-Allee 11, Hanover, Germany, referred to as the "Hanover property" afterwards. The sale to Cancorpgermany1 of the real estate investments (including the transfer of the lease contract with the tenant of such property) was duly authorized by a resolution of the shareholder on April 23, 2012 (refer to Note 21 – Subsequent Events).

Methods used for the preparation of the IFRS financial statements

The accompanying financial statements have been prepared for the first time in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") for application as of December 31, 2011.

Impact of first-time application of IFRS

As a first time adopter as of January 1, 2009, and in compliance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards", Wel 6 prepared financial information to present the impact of the transition to IFRS on:

- The balance sheet at the transition date, i.e. January 1, 2009;
- The reconciliations of its equity reported in accordance with French accounting standards to its equity in accordance with IFRS as at January 1st, 2009 and at December 31, 2011;
- The reconciliation of its statement of comprehensive income reported in accordance with French accounting standards to its statement of comprehensive income in accordance with IFRS as at December 31, 2011.

Wel 6 uses the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. Those accounting policies comply with each IFRS effective at the end of December 31, 2011.

The paragraphs below report on the methods used by Wel 6 for the first-time application of IFRS rules and methods.

First-time application of IFRS rules and methods under IFRS 1

Wel 6 did not elect to use IFRS 1 exemptions.

Rules on Presentation

The following rules were adopted for the presentation of the balance sheet:

- Deferred tax liabilities and assets are classified as non-current
- Assets and liabilities contributing to working capital used in the entity's normal operating cycle are classified as current
- Financial assets are classified as loans and receivables, derivatives, and cash and cash equivalents.
- The balance sheet presents assets and liabilities that are not related to the normal operating cycle as current if they mature within one year, and non-current if they mature after one year.

The income statement is presented by function.

Note 22 – IFRS 1 – First time adoption reconciliations presents the reconciliation tables with the impact of first-time application of IFRS at January 1, 2009.

Accounting policies and disclosures

The accounting policies applied in the preparation of these financial statements are based on the IFRS standards and interpretations applicable as at December 31, 2011 which have been consistently applied to all the years presented, unless otherwise stated.

Wel 6 has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning at 1 January 2011:

- IAS 1 Amended "Presentation of Items of Other Comprehensive Income";
- IAS 12 Amended "Deferred Tax: Recovery of Underlying Assets";
- IAS 19 Amended "Employee Benefits";
- IAS 27 Revised "Consolidated and Separate Financial Statements";
- IAS 28 Revised "Interests in Associates and Joint Ventures".
- IFRS 7 Amended "Disclosures – Transfers of Financial Assets";
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

Wel 6 intends to adopt these standards when they become effective. Wel 6 has not yet assessed the potential impacts of those new Standards and Amendments on its financial statements in the period of initial application.

Note 2 – Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of WEL 6 in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Management believes that the judgments, estimates and assumptions underlying these financial statements are reasonable.

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

Critical judgements in applying the Group's accounting policies

Finance lease – Wel 6 as lessee

Finance leases, which transfer to Wel 6 substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Finance lease assets and liabilities are set out in Note 10 – Investment property and Note 15 – Finance lease liabilities.

Critical accounting estimates

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of Wel 6's assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009, 2010 and, to a lesser extent, 2011. Therefore, in arriving at their estimates of market values as at 31 December 2009, 31 December 2010 and 31 December 2011, the valuators used their market knowledge and professional judgment and did not rely solely on transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the valuators in estimating the fair value of investment property are set out in Note 10 – Investment property.

Techniques used for valuing investment property

The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of an Initial Yield, generally referred to as the "All Risks Yield" approach or "Net Initial Yield" approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Fair value of financial instruments

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used by Wel 6 to estimate the fair values of its financial instrument are disclosed in Note 16 – Financial risk management objectives and policies.

Taxes

Wel 6 is subject to income and capital gains taxes mainly in Germany. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences in investment property depends on the method by which the carrying amount of investment property will be realized.

Wel 6 recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recorded in accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors*.

The significant methods and assumptions used in estimating taxes are set out in Note 9 – Taxation.

Note 3 – Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for investment property and derivative financial instruments that have been measured and accounted for at fair value.

The financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Principles

See Note 1 – Basis of preparation.

Foreign currency translation

Wel 6's financial statements are presented in Euros, which is also the functional currency (i.e. the currency of the primary environment in which the entity operates).

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency rate of exchange ruling on the reporting date. All differences are taken to profit or loss.

Investment property

Investment property comprises completed property or re-development held to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognized under IAS 17 at an amount equal to the fair value of the lease property or, if lower, the present value of the minimum payments, each determined at the inception of the lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from, changes in the fair values are included in the income statement in the year in which they arise. For the purpose of these financial statements, in order to avoid "double counting", the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentive and letting fees.

Fair value represents the price that a vendor would receive for the sale of the property and therefore also integrates a deduction for real estate transfer tax that a buyer would incur in acquiring the property and deduct from the net consideration paid to the vendor. Investment properties are stated at fair value based on valuations actually performed at historical dates.

Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. Wel 6 determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, and, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or Wel 6 transfers substantially all risks and rewards of ownership.

Wel 6's financial assets consist of loans and receivables, derivatives and financial assets at fair value through profit and losses.

Financial assets recognized in the balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Cash and cash equivalents includes cash at bank, bank overdrafts and liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swap and options contracts for hedging purposes (hedge). Wel 6 does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognized in the income statement in "Finance income and costs".

Wel 6 assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Wel 6 will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognized when they are assessed as uncollectible.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Loans and borrowings are classified as current liabilities unless Wel 6 has an unconditional right to defer settlement of the liability for at least 12 months after the date of the balance sheet.

Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which Wel 6 commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and Wel 6 has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Net change in fair value of financial instruments at fair value through profit or loss" in the period in which they arise.

Derivatives and hedging

Wel 6 uses interest rate swaps and options to hedge its risks associated with interest rates. Wel 6 does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value through profit or loss; transaction costs are included directly in finance costs.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Rent and other receivables

Rent and other receivables are recognized at the lower of their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that Wel 6 will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Provisions are presented in the income statement within "Other property operating expenses".

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows comprise cash at bank, bank overdrafts plus liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method.

Trade and other payables

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

Finance lease – Wel 6 as lessor

Wel 6 has entered into commercial property leases on its investment property portfolio. Wel 6 has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Revenue recognition

Rental income

Rental income receivable from operating leases, less Wel 6's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, Wel 6 is reasonably certain that the tenant will exercise that option.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the expense is incurred. Service charges are included in the net rental income.

Interest income and expenses

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

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

The carrying value of Wel 6's investment property will generally be realized by combination of income (rental stream during the period of use) and capital (the consideration on the sale at the end of use). The length of the period for which a property will be held prior to disposal is based on Wel 6's current plans and recent experience with similar properties. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the balance sheet.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Note 4 – Revenue

(in thousands of Euros)	**For the years ended December 31,**		
Income statement	**2011**	**2010**	**2009**
Rental income	1,350	1,351	1,350
Service charge income	107	53	47
Total revenue	**1,457**	**1,404**	**1,397**

Wel 6 has entered into an operating lease on its property portfolio. The commercial property lease has a lease term of 15 years and includes a clause to enable periodic upward revision of the rental charge according to prevailing market conditions. The lease contains a break-option before the end of the lease term. The lease was renewed as of January 1, 2011.

Future minimum leases receivable under non-cancellable operating leases as at December 31 are as follows:

	For the years ended December 31,		
(in thousands of Euros)	**2011**	**2010**	**2009**
Within 1 year	1,350	1,350	1,350
After 1 year, but not more than 5 years	5,400	1,168	3,038
More than 5 years	5,400	—	—
	12,150	**2,518**	**4,388**

The company has not granted incentives such as rent-free periods to new tenant.

Note 5 – Service charge and other property operating expenses

(in thousands of Euros)	For the years ended December 31,		
Service charge and other property operating expenses	**2011**	**2010**	**2009**
Operating expenses	(93)	(49)	(52)
Maintenance and repairs	—	—	—
Service charge expense	(93)	(49)	(52)
Property management expenses	(67)	(40)	(40)
Other	(14)	(14)	(14)
Other property operating expense	(81)	(54)	(54)
Total property expenses	**(174)**	**(104)**	**(106)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 6 – Administration expenses

(in thousands of Euros)	For the years ended December 31,		
Administration expenses	**2011**	**2010**	**2009**
Asset management fees	(36)	(43)	(29)
Other general and administrative expenses	(36)	(46)	(90)
Total administration expenses	**(72)**	**(89)**	**(119)**

Note 7 – Finance income and costs

(in thousands of Euros)	For the years ended December 31,		
Finance income	**2011**	**2010**	**2009**
Finance income	—	285	—
Total finance income	**—**	**285**	**—**

(in thousands of Euros)	For the years ended December 31,		
Finance costs	**2011**	**2010**	**2009**
Interest on interest-bearing loans and borrowings	(143)	(135)	(472)
Finance lease – interest	(953)	(953)	(953)
Finance cost – net	**(1,096)**	**(1,088)**	**(1,425)**
Net change in fair value of financial instruments at fair value through profit or loss	(33)	(65)	(250)
Other financial costs	(56)	(78)	(100)
Total finance costs	**(1,185)**	**(1,233)**	**(1,775)**

Note 8 – Segment information

The property included in these financial statements is located in Germany and is composed of office assets. As a consequence of the generic nature of the property and the single location, the management believes that it is appropriate to classify all operations of the WEL 6 Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of Wel 6's revenues amounts to € 1,350 thousand for 2011, € 1,351 thousand for 2010 and € 1,350 thousand for 2009.

Note 9 – Taxation

The major components of income tax expense for the years ended December 31, 2011, 2010 and 2009 are:

(in thousands of Euros)	As at December 31,		
Income tax	**2011**	**2010**	**2009**
Current tax	—	—	—
Deferred tax	—	—	—
Income tax expense reported in the income statement	**—**	**—**	**—**

	As at December 31,		
	2011	2010	2009
Profit before tax	**(1,121)**	**1,357**	**(771)**
Tax calculated at tax rate applicable to WEL 6 profits (15.825%)	177	(215)	122
Tax losses for which no deferred income tax asset was recognized	(177)	—	(122)
Deferred tax assets not previously recognized	—	215	—
Total tax expense reported in the income statement	**—**	**—**	**—**

	Balance sheets			Income statement		
	As at December 31,			As at December 31,		
(in thousands of Euros)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Deferred tax liabilities						
Revaluations of investment property to fair value	(107)	75	(98)	182	(173)	27
Restatement of lease	137	98	59	(39)	(39)	(37)
Paid and amortization of capitalised letting fees	38	—	—	(38)	—	—
	68	**173**	**(40)**			
Deferred tax assets						
Valuation at fair value of the VAT liability	75	120	161	(45)	(41)	(38)
Revaluations of financial instrument to fair value	253	248	238	5	10	40
Limitation of deferred tax assets	(282)	(223)	(472)	(58)	249	15
Other deferred tax assets	22	28	34	(6)	(6)	(6)
	68	**173**	**(40)**			
Deferred income tax expense				**—**	**—**	**—**
Deferred tax assets / (liabilities) net	**—**	**—**	**—**			
Reflected in the balance sheet as follows :						
– Deferred tax assets	—	—	—			
– Deferred tax liabilities	—	—	—			
Deferred tax assets / (liabilities) net	**—**	**—**	**—**			

Wel 6 did not recognize deferred income tax asset in respect of the losses amounting to € 2,550 thousand (in 2010, tax losses were € 1,798 thousand and in € 2009, € 1,579 thousand) since the realization of the related tax benefit through future taxable profits is not probable.

Wel 6 is a member of the tax group set up by Inovalis under French group relief rules (Article 223-A of the General Tax Code). Under the Group relief agreement between the tax group members and Inovalis, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to December 31, 2011.

Note 10 – Investment property

(in thousands of Euros)	As at December 31,		
Investment property	**2011**	**2010**	**2009**
At the beginning of the year	**20,728**	**19,635**	**20,151**
Additions	—	—	—
Disposals	—	—	(348)
Capitalised letting fees	241	—	—
Rent free period	—	—	—
Fair value adjustment	(1,148)	1,093	(169)
At the end of the year	**19,821**	**20,728**	**19,635**

The fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards (“IVS”), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 2 – Significant accounting judgments, estimates and assumptions, in arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

The valuations were performed by leading independent appraisers with recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

The significant assumptions made relating to valuations are set out below:

(in thousands of Euros)	Germany
2011	**Building "Hanover"**
Passing rent per sqm	117
Estimated rental value (market rent) per sqm	116
Average net initial yield	7.13%
Reversionary yield	7.06%
Inflation rate(i)	INSEE index cost of construction

(in thousands of Euros)	Germany
2010	**Building "Hanover"**
Passing rent per sqm	117
Estimated rental value (market rent) per sqm	119
Average net initial yield	6.83%
Reversionary yield	6.93%
Inflation rate(i)	INSEE index cost of construction

(in thousands of Euros)	Germany
2009	**Building "Hanover"**
Passing rent per sqm	117
Estimated rental value (market rent) per sqm	122
Average net initial yield	7.20%
Reversionary yield	7.50%
Inflation rate(i)	INSEE index cost of construction

(i): Cost of construction Index (www.insee.fr): The cost-of-construction index measures trends each quarter in the prices of new buildings for mainly residential use. It concerns the price inclusive of VAT paid by owners to construction companies. It excludes prices and costs relating to the land (site preparation, special foundations.) and any fees, developer costs and financial costs, and does not cover maintenance and improvement operations.

As at December 31, 2011 property with a value of € 20,100 thousand (in 2010, the value was € 21,000 thousand and in 2009, € 19,900 thousand), before deduction of German real estate transfer tax on purchase option, is held under lease agreement. Future lease payments are presented in Note 15 – Finance lease liabilities.

As at December 31, 2011, 2010 and 2009 the portfolio had no vacancy.

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

	For the years ended December 31,		
(in thousands of Euros)	**2011**	**2010**	**2009**
Increase in yield of 25bps	(770)	(820)	(720)
Decrease in rental rates of 5%	(1,000)	(1,050)	(990)

Note 11 – Trade and other receivables

(in thousands of Euros)	As at December 31,			As at January 1,
Trade and other receivables	**2011**	**2010**	**2009**	**2009**
Trade receivables	48	17	2	—
Provision for impairment of receivables	—	—	—	—
Trade receivables	**48**	**17**	**2**	**—**
Receivables from related parties	5	147	1	19
Other receivables	99	99	97	—
Other receivables	**104**	**246**	**97**	**19**
Total trade and other receivables	**152**	**263**	**99**	**19**

The share of trade and other receivables with related parties is disclosed in Note 17 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Note 12 – Cash and cash equivalents

(in thousands of Euros)	As at December 31,			As at January 1,
Cash and cash equivalents	**2011**	**2010**	**2009**	**2009**
Cash at bank and on hand	249	190	431	190
Total	**249**	**190**	**431**	**190**

Note 13 – Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at December 31, 2011	2010	2009	As at January 1, 2009
			Non current			
€ 4,252,000 subordinated loan	1%	28/01/2013	—	—	—	3,977
€ 680,000 subordinated loan	1%	24/01/2015	—	—	—	—
Total interests-bearing loans and borrowings			—	—	—	3,977
€ 16,554,000 finance lease liabilities	Euribor 3M+82BP	01/07/2023	16,554	16,554	16,554	16,554
Total finance lease liabilities			16,554	16,554	16,554	16,554
WEL 6 – Building “Hanover”			**16,554**	**16,554**	**16,554**	**20,531**

(in thousands of Euros)	Effective interest rate	Maturity	As at December 31, 2011	2010	2009	As at January 1, 2009
			Current			
€ 4,252,000 subordinated loan	1%	28/01/2013	4,591	4,464	4,633	198
€ 680,000 subordinated loan	1%	24/01/2015	615	610	577	468
Total interests-bearing loans and borrowings			5,207	5,073	5,210	666
€ 16,554,000 finance lease liabilities	Euribor 3M+82BP	01/07/2023	—	—	—	—
Total finance lease liabilities			—	—	—	—
WEL 6 – Building “Hanover”			**5,207**	**5,073**	**5,210**	**666**

Subordinated loans have been subscribed by Wel 6’s ultimate shareholder (Inovalis) and AUDI SARADAR, an unrelated bank, in their capacity as lenders. AUDI SARADAR agreed on July 7, 2010 and April 18, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%). Inovalis concurrently agreed on July 7, 2010 and November 6, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%).

Wel 6 did not pay its pending coupons on the subordinated loans for years ended December 31, 2011 and 2010 and partially paid them for year ended December 31, 2009. Due to the default of payment of the pending coupons, the lenders could have asked for immediate reimbursement of the subordinated loans (dates of the waivers obtained by Wel 6 are presented in Note 17 – Transactions with related parties) and consequently the subordinated loans have been presented as current whatever the contractual due date.

Floating rates of finance lease liabilities have been hedged by derivatives instruments (refer to Note 16 – Financial risk management objectives and policies).

Note 14 – Trade and other payables

(in thousands of Euros)	As at December 31,			As at January 1,
Trade payables	**2011**	**2010**	**2009**	**2009**
Trade payables	83	73	65	23
Payables to related parties	588	325	84	366
Trade payables	**670**	**398**	**149**	**389**
Other payables to related parties	14	36	294	51
VAT payable	472	758	1,019	1,263
Other liabilities	33	—	—	—
Deferred income	—	—	—	—
Other payables	**519**	**795**	**1,313**	**1,313**
Total trade and other payables	**1,189**	**1,193**	**1,462**	**1,703**

The share of trade and other payables on related parties is disclosed in Note 17 – Transactions with related parties. Trade payables are non-interest bearing.

Note 15 – Finance lease liabilities

Wel 6 acquired a leasehold property that it classifies as investment property (see Note 10 – Investment property). The lease is accounted for as a finance lease. In this lease:

- The lease term is 15 years (starting July 1, 2008);
- The lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- At the inception of the lease, Wel 6 as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at December 31,						As at January 1,	
	2011		2010		2009		2009	
(in thousands of Euros)	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments
Within 1 year	—	956	—	953	—	953	—	953
After 1 year, but not more than 5 years	2,138	5,765	1,455	5,181	831	4,618	264	4,078
More than 5 years	14,416	18,802	15,100	20,343	15,723	21,859	16,291	23,352
	16,554	**25,523**	**16,554**	**26,477**	**16,554**	**27,430**	**16,554**	**28,383**
Less : future interest costs		(8,969)		(9,922)		(10,876)		(11,829)
	16,554	**16,554**	**16,554**	**16,554**	**16,554**	**16,554**	**16,554**	**16,554**
Of which is non current	16,554		16,554		16,554		16,554	
Of which is current	—		—		—		—	
	16,554		**16,554**		**16,554**		**16,554**	

Terms of loans and borrowings related to the finance lease are presented in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities.

Note 16 – Financial risk management objectives and policies

Wel 6 is exposed to market risk, real estate risk, credit risk and liquidity risk.

The general manager of Wel 6 uses the services of Inovalis for financial risk management. The General Manager and the Inovalis debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advise on financial risks and the appropriate financial risk governance framework for Wel 6. The debt management department provides assurance to Wel 6's senior management that Wel 6's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Wel 6 policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Manager of Wel 6 has reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by Wel 6 that are affected by market risk are principally the derivative financial instruments.

Wel 6 is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Wel 6's exposure to the risk of changes in market interest rates relates primarily to Wel 6's long-term debt obligations with floating interest rates.

To manage its interest rate risk, Wel 6 enters into interest rate swaps and options in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, Wel 6 also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Sensitivity analysis

The analysis below shows the impacts on profit before taxes and equity of changes in fair value of derivative held by Wel 6 due to reasonably possible movements in interests rates (with all other variables held constant).

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
2011		
Euribor	+25	(129)
Euribor	-25	134
2010		
Euribor	+25	(159)
Euribor	-25	162
2009		
Euribor	+25	(187)
Euribor	-25	190

Real estate risk

Wel 6 has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk"). To reduce this risk, Wel 6 reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Wel 6 is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of incorporation
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of Wel 6 in accordance with Wel 6 policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

Liquidity risks inherent to the financial structure of the business of Wel 6 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

Wel 6's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Wel 6's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Manager. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund's operation.

The table below summarizes the maturity profile of Wel 6's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs on subordinated loans presented in a separate table below and future interest costs on finance lease liabilities presented in Note 15 – Finance lease liabilities). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros) Year ended December 31, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	5,207	—	—	—	5,207
Finance leases	—	—	—	2,138	14,416	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,600	—	1,600
Trade and other payables	—	1,189	—	—	—	1,189
	—	**6,396**	**—**	**3,738**	**14,416**	**24,550**

(in thousands of Euros) Year ended December 31, 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	5,073	—	—	—	5,073
Finance leases	—	—	—	1,455	15,100	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,567	—	1,567
Trade and other payables	—	1,193	—	—	—	1,193
	—	**6,266**	**—**	**3,022**	**15,100**	**24,388**

(in thousands of Euros) Year ended December 31, 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	5,210	—	—	—	5,210
Finance leases	—	—	—	831	15,723	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,395	107	1,501
Trade and other payables	—	1,462	—	—	—	1,462
	—	**6,672**	**—**	**2,226**	**15,830**	**24,728**

Liquidity management

These financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of Wel 6 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year business plan.

At the beginning of 2012, Wel 6 renegotiated with its ultimate shareholder (Inovalis) and lender (AUDI SARADAR) to obtain more flexibility on liquidity. Inovalis and AUDI SARADAR first agreed to sign comfort letters on March 8, 2012 and March 15, 2012 to confirm that they will not ask for the payment of the subordinated loans and the pending coupons during 2012.

Inovalis concurrently waived the payments of its management fees (refer to Note 17 – Transactions with related parties) due by Wel 6 until December 31, 2012. Inovalis Assets Management ("IAM") also waived its rights on the payments of the outstanding management fees due by Wel 6 until Wel 6 gains a profit from the sale of the managed property.

Inovalis and AUDI SARADAR agreed on November 6, 2012 and April 18, 2012 respectively to reduce interest rates of the subordinated loans to nil starting January 1, 2012.

Comfort letters to support the business model of Wel 6 until the end of 2013 have been signed as described in Note 21 – Subsequent Events.

Fair value of financial assets and liabilities

Below is a comparison by class of the carrying amounts and fair value of Wel 6's financial assets and liabilities that are carried in the financial statements.

	Carrying amount				Fair value			
	As at December 31,			As at January 1,	As at December 31,			As at January 1,
(in thousands of Euros)	**2011**	**2010**	**2009**	**2009**	**2011**	**2010**	**2009**	**2009**
Financial assets								
Trade and other receivables	152	263	99	19	152	263	99	19
Cash and short-term deposits	249	190	431	190	249	190	431	190
	401	**453**	**530**	**209**	**401**	**453**	**530**	**209**
Financial liabilities								
Interest-bearing loans and borrowings	5,207	5,073	5,210	4,643	5,207	5,073	5,210	4,643
Finance leases	16,554	16,554	16,554	16,554	14,942	15,310	15,890	16,159
Tenant deposits	—	—	—	—	—	—	—	—
Derivative financial instruments	1,600	1,567	1,501	1,252	1,600	1,567	1,501	1,252
Trade and other payables	1,189	1,193	1,462	1,703	1,189	1,193	1,462	1,703
	24,550	**24,388**	**24,728**	**24,152**	**22,938**	**23,143**	**24,063**	**23,757**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and short-term deposits, trade and other receivables, trade and other payables, approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair value of the subordinated loans subscribed by the ultimate shareholder (Inovalis) and AUDI SARADAR, an unrelated bank, in their capacity as lenders is considered to be their nominal values.
- The fair values of the derivative interest rate swap contracts and options are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy* :

(in thousands of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
December 31, 2011				
Derivatives (liabilities)	—	1,600	—	1,600
	—	**1,600**	**—**	**1,600**

	Level 1	**Level 2**	**Level 3**	**Total fair value**
December 31, 2010				
Derivatives (liabilities)	—	1,567	—	1,567
	—	**1,567**	**—**	**1,567**

	Level 1	Level 2	Level 3	Total fair value
December 31, 2009				
Derivatives (liabilities)	—	1,501	—	1,501
	—	**1,501**	**—**	**1,501**

	Level 1	Level 2	Level 3	Total fair value
January 1, 2009				
Derivatives (liabilities)	—	1,252	—	1,252
	—	**1,252**	**—**	**1,252**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 17 – Transactions with related parties

Wel 6's immediate parent company is "EURO ELYSEES 2", which owns 100% of Wel 6's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to Euro Elysées 2	Amount due to Inovalis Asset Management (Subsidiary of Inovalis)	Amount due to Wel 3	Amount due to Podes 3
2011						
Fees(i)	(170)	(46)	—	(124)	—	—
Interest	(960)	(6)	(1)	—	—	(953)
Intercompany account (assets)	—	—	—	—	—	—
Intercompany account (liabilities)	(14)	—	(14)	—	—	—
Trade payable	(588)	(167)	—	(292)	—	(129)
Interests-bearing loans and borrowings	(615)	(615)	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	(16,554)
2010						
Fees(i)	(83)	(43)	—	(40)	—	—
Interest	(931)	25	(2)	—	—	(953)
Intercompany account (assets)	142	—	—	—	142	—
Intercompany account (liabilities)	(36)	—	(36)	—	—	—
Trade payable	(325)	(100)	—	(5)	—	(220)
Interests-bearing loans and borrowings	(610)	(610)	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	(16,554)
2009						
Fees(i)	(68)	(29)	—	(40)	—	—
Interest	(999)	(41)	(5)	—	—	(953)
Intercompany account (assets)	0	—	—	—	—	—
Intercompany account (liabilities)	(294)	—	(294)	—	—	—
Trade payable	(84)	(50)	—	(6)	—	(28)
Interests-bearing loans and borrowings	(577)	(577)	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	(16,554)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort and waivers granted by its ultimate shareholder to Wel 6 are described above in Note 16 - Financial risk management objectives and policies;
- The financial terms and conditions of the financing arrangements set up are described in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities;
- The financial terms and conditions of the finance lease arrangement with PODES 3 are described in Note 13 – Interest-bearing loans and borrowings and finance lease liabilities and Note 15 – Finance lease liabilities (Podes 3 is a subsidiary of Inovalis and the lessor of the investment property hold by Wel 6 under finance lease).

Comfort letters were signed to confirm that Inovalis (and AUDI SARADAR concurrently) will not ask for the payment of the subordinated loans and the pending coupons until the end of December 31, 2013. The table below summarizes for each subordinated loan the date of signing of the comfort letter, years covered and the interest rates charged:

(in thousands of Euros)	**Lender**	**Effective interest rate**		
As at December 31,		**2011**	**2010**	**2009**
€ 4,252,000 subordinated loan	AUDI SARADAR	1%	1%	2%
Waivers and Comfort letters				
Date of signature and year covered		May 20, 2011		
As at December 31,		**2011**	**2010**	**2009**
€ 680,000 subordinated loan	Inovalis	1%	1%	2%
Waivers and Comfort letters				
Date of signature and year covered		April 29, 2011	April 16, 2010	

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and settlements occur in cash. Wel 6 did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Prior to the closing of the offering, Wel 6 (subsidiary of Inovalis) and CANCORPGERMANY1 (subsidiary of Inovalis) will enter into a Letter of Intent for the transfer of the lease contract and tenant portfolio.

(i)Fees

Fees paid to Inovalis and Inovalis Assets Management ("IAM", a subsidiary of Inovalis) consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.15% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in it capacity as strategic counsel. IAM is entitled to an annual remuneration calculated as 0.05% of the value of the managed property (value at the date of inception of the agreement).

Strategic fees are included in "Administration expenses" in the income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plans to investors, making settlements included in the annual budget and business plans and contracting with third parties.

Property management fees are included in "Other property operating expense" in the income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the balance sheets.

Note 18 – Derivative financial instruments and hedging activities

Wel 6 has entered into an interest rate swap and collar with notional amounts of € 16,554 thousand (in 2010, the notional amount was € 16,554 thousand and in 2009, € 16,554 thousand). The conditions are described in the table below:

Beginning of the period	**End of the period**	**Leg 1**	**Leg 2**
		Fixed leg	Variable leg
01/04/2008	30/06/2013	4.86%	EURIBOR 3M
30/06/2013	30/06/2015	Collar 3.5% < EURIBOR 3M < 5%	

The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (Note 13 – Interest-bearing loans and borrowings and finance lease liabilities).

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of € 1,600 thousand (in 2010, the fair value was € 1,567 thousand and in 2009, € 1,501 thousand).

Note 19 – Capital management

Wel 6's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 20 – Share capital

At December 31, 2011, 2010 and 2009, share capital amounted to €1 thousand, represented by 1,000 shares of common stock issued at €1 each, all fully paid.

Wel 6 did not pay any dividends during the years ending December 31, 2011, 2010 and 2009.

Note 21 – Subsequent Events

The ultimate shareholder (Inovalis) and AUDI SARADAR, both in their capacity as lenders, agreed on November 6, 2012 and April 18, 2012 respectively to reduce interest rates of the subordinated loans to nil starting January 1, 2012.

On December 17, 2012, the ultimate shareholder (Inovalis) and lender (AUDI SARADAR) issued comfort letters in order to support the business model of Wel 6 until the end of December 2013.

On March 5, 2012 Wel 6 signed a Memorandum of Understanding that organized the potential sale of the property. On April 6, 2012, a resolution of the sole shareholder of Wel 6 authorized the sale of the Hanover property held under lease contract. In connection with this Memorandum of Understanding, prior to the closing, Wel 6 and CANCORPGERMANY1 will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio. The sale of the lease contract will also be authorised by the lessor of the finance lease prior to the closing of the offering (subject to specific engagements to be taken by the vendors and the acquirer). The sale's conditions are as follows: the lease, the related swap and the tenant portfolio are to be transferred based on the bargain price of the investment property less the carrying value of the finance lease liability on the actual date of transfer.

Note 22 – IFRS 1 – First time adoption reconciliations

Reconciliation of the Comprehensive Income Statement for the year ended December 31, 2011

(in thousands of Euros)	**For the year ended December 31, 2011**					
Statement of comprehensive income	**French**	**Letting fees**	**Finance lease**	**Fair value**	**Other adjustments**	**IFRS**
Profit (loss) for the year	**(751)**	**203**	**208**	**(962)**	**182**	**(1,121)**
Other comprehensive income :	—	—	—	—	—	—
Total comprehensive income	(751)	203	208	(962)	182	(1,121)

Reconciliation of the Income Statement for the year ended December 31, 2011

(in thousands of Euros)	**For the year ended December 31, 2011**					
Income statement	**French**	**Letting fees**	**Finance lease**	**Fair value**	**Other adjustments**	**IFRS**
Rental income	1,350	—	—	—	—	1,350
Service charge income	107	—	—	—	—	107
Service charge expense	(93)	—	—	—	—	(93)
Other property operating expense	(322)	241	—	—	—	(81)
Net rental income	1,042	241	—	—	—	1,283
Administration expenses	(1,612)	—	1,200	—	340	(72)
Valuation gains (losses) from completed investment property	—	—	—	(1,148)	—	(1,148)
Operating profit (loss)	(570)	241	1,200	(1,148)	340	63
Finance income	—	—	—	—	—	—
Finance costs	(182)	—	(953)	6	(56)	(1,185)
Profit (loss) before taxes	(751)	241	247	(1,141)	284	(1,121)
Income tax expense	—	(38)	(39)	180	(102)	—
Profit (loss) for the year	(751)	203	208	(962)	182	(1,121)
Profit (loss) for the period	**(751)**	**203**	**208**	**(962)**	**182**	**(1,121)**

Reconciliation of the Balance Sheet as at January 1, 2009

(in thousands of Euros)	As at January 1, 2009					
Assets	French	Letting fees	Finance lease	Fair value	Other adjustments	IFRS
Non-current assets						
Investment property	—	—	20,603	(451)	—	20,151
Total non-current assets	—	—	20,603	(451)	—	20,151
Current assets						
Trade and other receivables	274	—	—	(255)	—	19
Financial asset	3,913	—	(3,913)	—	—	—
Derivative financial instruments	—	—	—	—	—	—
Cash and cash equivalents	190	—	—	—	—	190
	4,378	—	(3,913)	(255)	—	209
Total current assets	4,378	—	(3,913)	(255)	—	209
Total assets	**4,378**	**—**	**16,689**	**(707)**	**—**	**20,360**

(in thousands of Euros)	As at January 1, 2009					
Equity and Liabilities	French	Letting fees	Finance lease	Fair value	Other adjustments	IFRS
Shareholders' equity						
Share capital	1	—	—	—	—	1
Retained earnings	(712)	—	114	(1,690)	(1,505)	(3,793)
Total equity	(711)	—	114	(1,690)	(1,505)	(3,792)
Liabilities						
Non-current liabilities						
Borrowings	3,977	—	—	—	—	3,977
Finance lease liabilities	—	—	16,554	—	—	16,554
Deferred tax liabilities	—	—	21	(269)	247	—
Derivative financial instruments	—	—	—	1,252	—	1,252
Total non-current liabilities	3,977	—	16,576	983	247	21,783
Current liabilities						
Borrowings	666	—	—	—	—	666
Finance lease liabilities	—	—	—	—	—	—
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	445	—	—	—	1,258	1,703
Total Current liabilities	1,111	—	—	—	1,258	2,369
Total liabilities	5,088	—	16,576	983	1,505	24,152
Total equity and liabilities	**4,378**	**—**	**16,689**	**(707)**	**—**	**20,360**

Reconciliation of the Balance Sheet as at December 31, 2011

(in thousands of Euros)	As at December 31, 2011					
Assets	French	Letting fees	Finance lease	Fair value	Other adjustments	IFRS
Non-current assets						
Investment property	—	241	20,255	(674)	—	19,821
Total non-current assets	—	241	20,255	(674)	—	19,821
Current assets						
Trade and other receivables	289	—	—	(137)	—	152
Financial asset	2,837	—	(2,837)	—	—	—
Derivative financial instruments	—	—	—	—	—	—
Cash and cash equivalents	249	—	—	—	—	249
Total current assets	3,376	—	(2,837)	(137)	—	401
Total assets	**3,376**	**241**	**17,418**	**(812)**	**—**	**20,223**

(in thousands of Euros)	As at December 31, 2011					
Equity and Liabilities	**French**	**Letting fees**	**Finance lease**	**Fair value**	**Other adjustments**	**IFRS**
Shareholders' equity						
Share capital	1	—	—	—	—	1
Retained earnings	(2,550)	203	727	(2,074)	(634)	(4,329)
Total equity	(2,549)	203	727	(2,074)	(634)	(4,328)
Liabilities						
Non-current liabilities						
Borrowings	—	—	—	—	—	—
Finance lease liabilities	—	—	16,554	—	—	16,554
Deferred tax liabilities	—	38	137	(338)	163	—
Derivative financial instruments	—	—	—	1,600	—	1,600
Total non-current liabilities	—	38	16,691	1,262	163	18,154
Current liabilities						
Borrowings	5,207	—	—	—	—	5,207
Finance lease liabilities	—	—	—	—	—	—
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	718	—	—	—	472	1,189
Total Current liabilities	5,924	—	—	—	472	6,396
Total liabilities	5,924	38	16,691	1,262	634	24,550
Total equity and liabilities	**3,376**	**241**	**17,418**	**(812)**	**—**	**20,223**

Letting fees

Under IFRS, rental income from operating leases is recognized net of Wel 6's initial direct costs of entering into the leases (the so-called letting fees) on a straight-line basis over the term of the lease. Letting fees recognized when incurred according to French accounting standards have been adjusted under IFRS and recognized on a straight-line basis over the term of the lease.

Finance lease

Under IFRS, finance leases which transfer to Wel 6 substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease whereas they remain booked as operating leases under French accounting standards. Finance leases booked as operating leases under French accounting standards have then been adjusted under IFRS: the lease liabilities have been recognized in conjunction with the asset in the balance sheet and the tenant deposit paid to the lessor has been derecognized.

Fair value

Two different fair value adjustments have been presented in this column:

- Under IFRS, Wel 6 chooses to recognize its investments properties at fair value whereas they remain at cost under French accounting standards. The change in investment property fair value has been recognized in the income statement under IFRS.
- Under IFRS, fair values of the derivatives arrangements have to be recognized in the balance sheet whereas they remain off the balance sheet under French accounting standards. Wel 6 decided not to apply hedge accounting in accordance with IAS 39. Consequently, changes in fair value of the derivatives are recognized as IFRS adjustments in the income statement and in the balance sheet.

Other Adjustments

Two different adjustments have been presented in this column:

- The VAT payable related to the Finance lease agreements, which had not been recognized in financial statements prepared under French accounting standards, has been recognized under IFRS in the opening balance sheet.
- Under IFRS, deferred tax effects are recognized whereas they remain off the balance sheet under French accounting standards. Wel 6 then recognized under IFRS its deferred tax assets to the extent of its deferred tax liabilities.

HAWAZ Portfolio Group

Unaudited Interim Carve-Out Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

Unaudited Interim Carve-out Income Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)		For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim carve-out income statements	**Note**	**2012**	**2011**	**2012**	**2011**
Rental income	*2*	4,486	4,156	1,632	1,389
Service charge income	*2*	1,220	1,260	385	465
Service charge expense	*3*	(1,387)	(1,302)	(449)	(595)
Other property operating expense	*3*	(202)	(227)	(59)	(80)
Net rental income		4,118	3,887	1,508	1,179
Administration expenses		(917)	(699)	(445)	(228)
Valuation gains (losses) from investment property	*7*	(2,789)	(2,798)	(1,065)	(865)
Operating profit (loss)		412	390	(2)	86
Finance income	*4*	—	35	—	13
Finance costs	*4*	(1,433)	(1,576)	(446)	(552)
Profit (loss) before taxes		(1,021)	(1,152)	(447)	(453)
Income tax expense	*6*	255	70	85	(211)
Profit (loss) for the period		**(766)**	**(1,083)**	**(363)**	**(664)**

Unaudited Interim Carve-out Statements of Comprehensive Income for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim carve-out statements of comprehensive income	2012	2011	2012	2011
Profit (loss) for the period	**(766)**	**(1,083)**	**(363)**	**(664)**
Other comprehensive income :				
	—	—	—	—
Total comprehensive income (loss)	(766)	(1,083)	(363)	(664)

Unaudited Interim Carve-out Balance Sheet as at September 30, 2012

(in thousands of Euros) Assets	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Non-current assets				
Investment property	*7*	75,546	78,665	78,679
Deferred tax assets	*6*	—	—	—
Total non-current assets		75,546	78,665	78,679
Current assets				
Trade and other receivables	*8*	1,258	1,084	1,748
Derivative financial instruments	*13.15*	—	—	1
Cash and cash equivalents	*9*	7,767	5,932	4,920
Total current assets		9,025	7,015	6,669
Total assets		**84,571**	**85,680**	**85,348**

(in thousands of Euros) Equity and Liabilities	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Invested equity				
Invested equity		14,892	15,658	15,335
Total invested equity		14,892	15,658	15,335
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	*10*	—	—	—
Finance lease liabilities	*12*	39,357	40,399	40,966
Tenant deposits	*13*	52	45	51
Deferred tax liabilities	*6*	9,229	9,484	9,270
Total non-current liabilities		48,637	49,928	50,286
Current liabilities				
Interest-bearing loans and borrowings	*10*	15,219	14,532	14,291
Finance lease liabilities	*12*	2,396	2,178	2,135
Derivative financial instruments	*13.15*	—	—	—
Trade and other payables	*11*	3,426	3,385	3,301
Total Current liabilities		21,042	20,095	19,727
Total liabilities		69,679	70,023	70,013
Total equity and liabilities		**84,571**	**85,680**	**85,348**

Unaudited Interim Carve-out Statements of changes in Invested Equity

(in thousands of Euros)

Interim carve-out statements of changes in invested equity	Total invested equity
At January 1, 2011	**16,418**
Profit (loss) for the period	(1,083)
Other comprehensive income	—
Total comprehensive income (loss)	(1,083)
Increase in invested equity	—
Payment of dividends	—
At September 30, 2011	**15,335**
Profit (loss) for the period	323
Other comprehensive income	—
Total comprehensive income (loss)	323
Increase in invested equity	—
Payment of dividends	—
At December 31, 2011	**15,658**
Profit (loss) for the period	(766)
Other comprehensive income	—
Total comprehensive income (loss)	(766)
Increase in invested equity	—
Payment of dividends	—
At September 30, 2012	**14,892**

Unaudited Interim Carve-out Statements of Cash Flows for the nine-month period ended September 30, 2012

(in thousands of Euros) Interim carve-out statements of cash flows	Note	For the nine-month periods ended September 30, 2012	2011
Cash flow from operating activities			
Profit (loss) before taxes		(1,021)	(1,152)
Adjustments to reconcile profit (loss) before taxes to net cash flows			
Capitalised letting fees	*7*	73	67
Rent free period	*2,7*	285	429
Valuation (gains) / losses from fair value adjustment on investment property	*7*	2,789	2,797
Net fair value (gains) / losses on derivative financial instruments	*4*	—	15
Finance cost – net	*4*	1,433	1,560
		3,559	3,717
Working capital adjustments			
(increase) / decrease in trade and other receivables		(175)	(912)
increase / (decrease) in tenants deposits		7	(9)
increase / (decrease) in trade and other payables		43	844
Net Cash generated from operating activities		3,434	3,640
Cash flow from investing activities			
Subsequent expenditure on investment property	*7*	(27)	(292)
Increase (decrease) of other financial assets		—	(0)
Net Cash used in investing activities		(27)	(292)
Cash flow from financing activities			
Repayment of borrowings		(37)	—
Repayment of finance lease liabilities		(824)	(1,484)
Interest paid		(711)	(838)
Net Cash used in financing activities		(1,571)	(2,322)
Net (decrease) increase in cash and cash equivalents		**1,835**	**1,026**
Cash & cash equivalents at the beginning of the financial period	*9*	**5,932**	**3,894**
Cash and cash equivalents at the end of the financial period	*9*	**7,767**	**4,920**

Notes to the Unaudited Interim Carve-out Financial Statements

Note 1 – Basis of preparation

Background

HAWAZ is a private limited company established on September 29, 2003 under the French law (registration number: 450 108 774 RCS PARIS). The address of its registered office is 52, rue de Bassano 75008 Paris, France.

These interim carve-out financial statements of Hawaz Portfolio Group (referred to as the "Group" or "Hawaz Portfolio") have been prepared by extracting from Hawaz historical financial statements all assets, liabilities, revenues and expenses that pertain to its business related to the property located in Vanves (referred to as the "Vanves property") and held under finance leases.

These interim carve-out financial statements have been prepared solely in connection with the initial public offering of Inovalis Real Estate Investment Trust (the "REIT") (referred as the "Ttransaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

HAWAZ is a subsidiary of Alpha Investment which is an associate of Inovalis S.A (referred as "the Management company" or "INOVALIS"), a private company specializing in investment fund management in real estate, created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the "AMF") since March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The Hawaz Portfolio interim carve-out financial statements were authorised for issue by the legal representative of HAWAZ (the "Gérant") on March 28, 2013.

Nature of Business

The objective of the Hawaz Portfolio Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

Hawaz holds rights on several real estate finance leases not included in the Asterisk Portfolio. This carve out from its financial statements was carried out for the purposes of the Asterisk Portfolio to present the assets, liabilities, revenues and expenses that relate to the Vanves property LE BEARN, LE BERRY-ARTOIS located 2-6 rue Auguste Comte, Vanves, France, that is to be transferred to CanCorpEurope through the sale of the finance lease contracts under which these properties are held including the transfer of the lease contracts with the tenants of such property. The sale of the carved-out lease contract held by Hawaz including the related lease contracts with tenants was duly authorized by a resolution of the shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed as on May 2, 2012 and since then, the agreement has been renewed through six amendments described in Note 17 – Subsequent Events.

Methods used for the preparation of the interim carve-out financial statements

These interim carve-out financial statements for the three-month period ended 30 September, 2012 and the nine-month period ended 30 September, 2012 have been prepared in accordance with IAS 34, "Interim financial reporting". These Interim Carve-out financial statements should be read in conjunction with the annual Carve-out financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS.

IFRS do not include guidance on preparing carve-out financial statements and the principles and conventions described below explain how IFRS have been applied to present the carve-out financial statements.

The accompanying interim carve-out financial statements have been prepared for the different period presented, based on the extraction of all financial information related to the Hawaz Portfolio from Hawaz's interim financial statements. All assets, liabilities, revenues and expenses directly related or attributable to the property located in Vanves (including cost of investment properties, rental income and related receivables, service charge income and expenses and related receivables and payables, finance lease interests and borrowings) have been extracted from HAWAZ records to prepare these interim carve-out financial statements. Administrative expenses other than service charge income and expense and other property operating expense have been allocated based on the number of properties (2 out of 3).

Subordinated loans and related interests have been allocated based on the Hawaz Porfolio's part in total finance lease borrowing at the inception of the leases.

Initial equity contribution consists of the contribution made by the shareholders for the initial acquisition and financing of the Hawaz Portfolio. Opening invested equity as of January 1st 2009 has been carved out and allocated as follows:

- Net rental income and administration expenses accumulated over the period 2005 (inception) – 2008 have been allocated in proportion to the rental income of the Hawaz Portfolio in Hawaz
- Finance costs accumulated over the period 2005 (inception) – 2008 have been allocated in proportion to the Hawaz Portfolio share in total finance lease borrowing at the inception of the leases.

Cash and cash equivalents include bank accounts relating to the Hawaz Portfolio property as of January 1st 2009 and a balancing share of the Hawaz Portfolio in general bank accounts of Hawaz.

Tax assets and liabilities have been recorded and measured as if the Hawaz Portfolio had existed as a separate / standalone tax entity from January 1st, 2009. Existing tax loss carry forward as of January 1st, 2009 have been allocated in proportion to the share of the Hawaz Portfolio in accumulated losses.

The Hawaz Portfolio is not a legal entity and did not previously operate as a separate, stand-alone entity. The interim carve-out financial statements included herein may not necessary be indicative of the Hawaz Portfolio Group's financial position, results of operations, changes in invested equity or cash flows had the Hawaz Portfolio Group operated as a stand-alone entity during the periods presented or for future periods.

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Hawaz Portfolio Group had been a stand-alone company during the period presented (see Note 14 – Transactions with related parties).

In order to ensure consistency with the financial statements of the other entities part to the Transaction, the carve-out of financial statements have been prepared with a December 31 year end.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new Standards, amendments and Interpretations applicable from January 1, 2012 mentioned below. Those new Standards, amendments and Interpretations have no material impact on the Group's interim combined financial statements at September 30, 2012:

- Amendment to IFRS 7, "Financial instruments: Disclosures", on transfer of financial assets
- Amendment to IAS 12, "Income taxes", on deferred tax
- Amendment to IFRS 1, "Severe hyper-inflation and removal of fixed dates for first-time adopters"

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning at 1 January 2012:

- IAS 1 Amended "Financial statement presentation' regarding other comprehensive income"
- IAS 19 Amended "Employee Benefits"
- IAS 27 Revised "Separate Financial Statements"
- IAS 28 Revised "Investments in Associates and Joint Ventures"
- IAS 32 Amended, "Financial instruments: Presentation", on asset and liability offsetting
- IFRS 7 Amended, "Financial instruments: Disclosures", on asset and liability offsetting
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

The Group intends to adopt these standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards and Amendments on its carved-out financial statements in the period of initial application.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Due to the nature of its business, the Group revenue is not subject to any seasonality. Revenues and operating profits are evenly spread over the year.

Judgments and Estimates

The preparation of interim Carve-out financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim Carve-out financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Carve-out financial statements for the year ended December 31, 2011.

Note 2 – Revenue

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim carve-out income statement	2012	2011	2012	2011
Rental income	4,486	4,156	1,632	1,389
Service charge income	1,220	1,260	385	465
Total revenue	**5,707**	**5,415**	**2,017**	**1,854**

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break options before the end of the lease term.

The Group has granted incentives such as rent-free periods to new tenants. The average number of months of rent-free periods granted is 5 months. The total unamortized portion of rent-free periods is detailed as follows:

	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
(in thousands of Euros)	2012	2011	2012	2011
Gross amount of lease incentives not fully amortised	289	860	—	—
Recognised in profit or loss	(285)	(429)	0	(143)
Net amount of lease incentives not fully amortised	**4**	**431**	**0**	**(143)**

Note 3 – Service charge and other property operating expenses

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Service charge and other property operating expenses	2012	2011	2012	2011
Operating expenses	(1,386)	(1,302)	(449)	(595)
Maintenance and repairs	(1)	—	—	—
Service charge expense	(1,387)	(1,302)	(449)	(595)
Property management expenses	(202)	(217)	(59)	(78)
Other	—	(10)	—	(1)
Other property operating expense	(202)	(227)	(59)	(80)
Total property expenses	**(1,589)**	**(1,529)**	**(508)**	**(675)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 4 – Finance income and costs

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance income	2012	2011	2012	2011
Finance income	—	35	—	14
Other interest	—	—	—	(1)
Total finance income	**—**	**35**	**—**	**13**

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance costs	2012	2011	2012	2011
Interest on interest-bearing loans and borrowings	(735)	(723)	(243)	(241)
Finance lease – interest	(698)	(838)	(203)	(310)
Finance cost – net	**(1,433)**	**(1,561)**	**(446)**	**(551)**
Net change in fair value of financial instruments at fair value through profit or loss	—	(15)	—	(1)
Total finance costs	**(1,433)**	**(1,576)**	**(446)**	**(552)**

Note 5 – Segment information

All investment properties included in these interim carve-out financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the HAWAZ Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to € 3,180 thousand, € 2,872 thousand, € 1,278 thousand and € 1,135 thousand, for the nine months ended September 30, 2012, the nine months ended September 30, 2011, the three months ended September 30, 2012 and the three months ended September 30, 2011, respectively.

Note 6 – Taxation

The major components of income tax expense for the periods presented are:

(in thousands of Euros)	**For the nine-month periods ended September 30,**		**For the three-month periods ended September 30,**	
Income tax	**2012**	**2011**	**2012**	**2011**
Current tax	—	—	—	—
Deferred tax	255	70	85	(211)
Income tax expense reported in the income statement	**255**	**70**	**85**	**(211)**

	For the nine-month periods ended September 30,	
	2012	**2011**
Profit before tax	**(1,021)**	**(1,153)**
Tax calculated at tax rate applicable to group profits (33.33%)	340	384
Non deductible expenses	(102)	(91)
Tax losses for wich no deferred income tax asset was recognised	17	(224)
Total tax expense reported in the income statement	**255**	**69**

	Interim carve-out balance sheets		**Interim carve-out income statement**	
	For the nine-month periods ended September 30,		**For the nine-month periods ended September 30,**	
(in thousands of Euros)	**2012**	**2011**	**2012**	**2011**
Deferred tax liabilities				
Revaluations of investment property to fair value	4,913	5,807	922	923
Restatement of lease	4,950	3,940	(759)	(725)
Rent free period	1	144	95	143
Paid and amortisation of capitalised letting fees	16	47	23	22
	9,879	**9,938**		
Deferred tax assets				
Revaluations of financial instrument to fair value	—	—	—	5
Losses available for offset against future taxable income	650	669	(26)	(298)
	650	**669**		
Deferred tax expense			**255**	**70**
Deferred tax assets / (liabilities) net	**(9,229)**	**(9,270)**		
Reflected in the balance sheet as follows :				
- Deferred tax assets	—	—		
- Deferred tax liabilities	(9,229)	(9,270)		
Deferred tax assets / (liabilities) net	**(9,229)**	**(9,270)**		

The Group has tax losses which arose in France of € 2,584 thousand as at September 30, 2012 (for the nine month period ended September 30, 2011, tax losses were € 2,677 thousand), that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. The Group did not recognize deferred income tax assets in respect of the losses amounting to € 633 thousand (for the nine month period ended September 30, 2011, losses were € 671 thousand).

The French entity included in the carve-out financial statements is a member of the tax group set up by ALPHA INVESTMENT under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and ALPHA INVESTMENT, the latter is not required to repay to the tax Group members any tax benefits derived from the use of their tax losses generated up to September 30, 2012.

For the year ended 2011, the amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The fraction of the tax loss that cannot be utilized is carried forward to subsequent years and is due on the same terms. As before, this deferral of tax losses can be carried out indefinitely unless the Group leaves the tax Group.

Note 7 – Investment property

(in thousands of Euros) Investment property	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
At the beginning of the period	**78,665**	**81,681**	**81,681**
Additions	27	378	292
Disposals	—	—	—
Capitalised letting fees	(73)	(91)	(67)
Rent free period	(285)	(571)	(429)
Fair value adjustment	(2,789)	(2,731)	(2,798)
At the end of the period	**75,546**	**78,665**	**78,679**

As at September 30, 2012 fair values of the investments properties have been determined based on the transaction's price negotiated between the parties as defined in the bilateral promise of sale of the lease contracts which was renewed on January 29, 2013 (refer to Note 17 – Subsequent events).

As at December 31, 2011 and September 30, 2011, the fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As applied for the preparation of the Carve-out financial statements for the year ended December 31, 2011, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables in arriving at their estimates of market values.

The valuations were actually performed at historical dates by leading independent appraisers with recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

Aggregate value of property held under lease agreements amounts to € 80,240 thousand and € 80,240 thousand, before deduction of French real estate transfer tax on purchase option, as at December 31, 2011 and September 30, 2011, respectively.

Future lease payments are presented in Note 12 – Finance lease liabilities.

Note 8 – Trade and other receivables

(in thousands of Euros) Trade and other receivables	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Trade receivables	510	72	72
Provision for impairment of receivables	—	—	—
Trade receivables	**510**	**72**	**72**
Receivables from related parties	86	99	736
VAT receivable	562	844	837
Other Asset	—	68	7
Prepaid expenses	100	—	97
Other receivables	**748**	**1,012**	**1,677**
Total trade and other receivables	**1,258**	**1,084**	**1,748**

Portion of trade and other receivables with the Group's related parties is disclosed in Note 14 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Note 9 – Cash and cash equivalents

(in thousands of Euros)

Cash and cash equivalents	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Marketable securities	2,606	—	—
Cash at bank and on hand	5,161	5,932	4,920
Total	**7,767**	**5,932**	**4,920**

Note 10 – Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Current	
€ 14,408,000 subordinated loan	8.25%	30/09/2015	15,219	14,532	14,291
Total interests-bearing loans and borrowings			15,219	14,532	14,291
€ 59,677,000 finance lease liabilities	Euribor 3M + 1.15%	02/12/2016	2,396	2,178	2,135
Total finance lease liabilities			2,396	2,178	2,135
Hawaz – Building "Vanves"			**17,616**	**16,710**	**16,426**

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Non current	
€ 14,408,000 subordinated loan	8.25%	30/09/2015	—	—	—
Total interests-bearing loans and borrowings			—	—	—
€ 59,677,000 finance lease liabilities	Euribor 3M + 1.15%	02/12/2016	39,357	40,399	40,966
Total finance lease liabilities			39,357	40,399	40,966
Hawaz – Building "Vanves"			**39,357**	**40,399**	**40,966**

The subordinated loan has been subscribed by Alpha Investment (Hawaz's shareholder).

Hawaz did not pay its pending coupons on the subordinated loan for years ended December 31, 2011, 2010 and 2009 and the nine-month periods ended September 30, 2012 and 2011. Due to the default of payment of the pending coupons, the lender could have asked for immediate reimbursement of the subordinated loan (the dates of the waivers obtained by Hawaz are presented in Note 14 – Transactions with related parties) and consequently the subordinated loan has been presented as current whatever the contractual due date.

Note 11 – Trade and other payables

(in thousands of Euros)

Trade and other payables	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Trade payables	2,183	2,291	1,674
Payables to related parties	1,053	629	1,415
Trade payables	**3,236**	**2,920**	**3,089**
Other payables to related parties	72	456	—
VAT payable	—	—	2
Other liabilities	24	9	—
Deferred income	94	—	211
Other payables	**190**	**465**	**212**
Total trade and other payables	**3,426**	**3,385**	**3,301**

Portion of trade and other payables with the Group's related parties is disclosed in Note 14 – Transactions with related parties. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 12 – Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property (see Note 7 – Investment property). The lease is accounted for as a finance lease. In this lease:

- the lease term is 12 years (starting December 2, 2004);
- the lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- at the inception of the lease, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at September 30, 2012		As at December 31, 2011		As at September 30, 2011	
(in thousands of Euros)	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	2,396	2,996	2,178	3,000	2,135	3,136
After 1 year, but not more than 5 years	39,357	41,289	10,368	12,794	10,425	12,808
More than 5 years	—		30,031	30,033	30,540	30,650
	41,753	**44,286**	**42,577**	**45,827**	**43,100**	**46,593**
Less : future interest costs		(2,533)		(3,250)		(3,493)
	41,753	**41,753**	**42,577**	**42,577**	**43,100**	**43,100**
Of which is non current	39,357		40,399		40,966	
Of which is current	2,396		2,178		2,135	
	41,753		**42,577**		**43,100**	

Terms of loans and borrowings related to these finance leases are presented in Note 10 – Interest-bearing loans and borrowings and finance lease liabilities.

Note 13 – Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Manager uses the services of Inovalis for financial risk management.

General Manager and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advise on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Manager reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the derivative financial instruments.

The Group is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate collar and cap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, the Group also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Sensitivity analysis

The analysis below shows the impact on profit before taxes and equity of changes in fair value of derivative held by HAWAZ due to reasonably possible movements in interests rates (with all other variables held constant).

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
As at September 30, 2012		
Euribor	+25	—
Euribor	-25	—
As at December 31, 2011		
Euribor	+25	—
Euribor	-25	—
As at September 30, 2011		
Euribor	+25	(1)
Euribor	-25	—

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see “Credit Risk”). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of incorporation
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group’s liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Manager. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund’s operation.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros) **As at September 30, 2012**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans and borrowings	—	—	15,219	—	—	15,219
Finance leases	—	588	1,808	39,357	—	41,753
Tenant deposits	—	—	—	52	—	52
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,426	—	—	—	3,426
	—	**4,014**	**17,027**	**39,409**	**—**	**60,450**

(in thousands of Euros) **As at December 31, 2011**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans and borrowings	—	2,849	11,684	—	—	14,532
Finance leases	—	530	1,648	10,368	30,031	42,577
Tenant deposits	—	—	—	45	—	45
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,385	—	—	—	3,385
	—	**6,764**	**13,332**	**10,413**	**30,031**	**60,539**

(in thousands of Euros) **As at September 30, 2011**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans and borrowings	—	—	14,291	—	—	14,291
Finance leases	—	523	1,612	10,425	30,541	43,101
Tenant deposits	—	—	—	36	15	51
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	3,301	—	—	—	3,301
	—	**3,824**	**15,903**	**10,461**	**30,551**	**60,744**

Liquidity management

These interim carve-out financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of Hawaz is managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

In December 2012 and February 2013, Hawaz's shareholder in its capacity as lender and the ultimate shareholders, in their capacity as ultimate lenders, issued comfort letters to Hawaz and its shareholder in order to support the business model until the end of December 2013: they confirmed they will not ask for the payment of the subordinated loans and the pending coupons.

In December 2012, Inovalis also confirmed it will not ask for the payment of the fees due by Hawaz until the end of December 2013.

Fair value of financial instruments

Below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the interim carve-out financial statements.

	Carrying amount			Fair value		
(in thousands of Euros)	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Financial assets						
Trade and other receivables	1,258	1,084	1,748	1,258	1,084	1,748
Derivative financial instruments	—	—	1	—	—	1
Cash and short-term deposits	7,767	5,932	4,920	7,767	5,932	4,920
	9,025	**7,015**	**6,669**	**9,025**	**7,015**	**6,669**
Financial liabilities						
Interest-bearing loans and borrowings	15,219	14,532	14,291	15,219	14,532	14,291
Finance leases	41,753	42,577	43,101	39,535	40,457	39,408
Tenant deposits	52	45	51	52	45	51
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	3,426	3,385	3,301	3,426	3,385	3,301
	60,450	**60,539**	**60,744**	**58,233**	**58,419**	**57,050**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair value of the subordinated loan subscribed by shareholder in its capacity as lender is considered to be its nominal value.
- The fair values of the derivative interest rate collar and cap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy* :

(in thousands of Euros)

As at September 30, 2012	Level 1	Level 2	Level 3	Total fair value
Derivatives (assets)	—	—	—	—
	—	—	—	—

As at December 31, 2011	Level 1	Level 2	Level 3	Total fair value
Derivatives (assets)	—	—	—	—
	—	—	—	—

As at September 30, 2011	Level 1	Level 2	Level 3	Total fair value
Derivatives (assets)	—	1	—	1
	—	**1**	—	**1**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 14 – Transactions with related parties

The Group's immediate parent company is "Alpha Investment", which owns 100% of HAWAZ's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros) Related parties	Total	Amount due to Inovalis	Amount due to Realista (Associate)	Amount due to ALPHA Investment
September 30, 2012				
Fees[i]	(782)	(653)	(129)	—
Interest	(722)	—	—	(722)
Finance income from cash agreement	—	—	—	—
Intercompany account (assets)	86	—	—	86
Intercompany account (liabilities)	(72)	—	—	(72)
Trade payable	(1,053)	(1,016)	(36)	—
Interests-bearing loans and borrowings	(15,217)	—	—	(15,217)
December 31, 2011				
Fees[i]	(1,164)	(881)	(283)	—
Interest	(913)	—	—	(913)
Finance income from cash agreement	51	—	—	51
Intercompany account (assets)	99	—	—	99
Intercompany account (liabilities)	(456)	—	—	(456)
Trade payable	(629)	(579)	(50)	—
Interests-bearing loans and borrowings	(14,532)	—	—	(14,532)
September 30, 2011				
Fees[i]	(804)	(661)	(144)	—
Interest	(723)	—	—	(723)
Finance income from cash agreement	34	—	—	34
Intercompany account (assets)	736	—	—	736
Intercompany account (liabilities)	—	—	—	—
Trade payable	(1,415)	(1,352)	(63)	—
Interests-bearing loans and borrowings	(14,291)	—	—	(14,291)

Transactions with related parties are described hereafter and in the different notes:

- The financial terms and conditions of the comfort granted by Alpha Investment in its capacity as lender to Hawaz are described in Note 13 – Financial risk management objectives and policies,
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 13 – Financial risk management objectives and policies,
- The financial terms and conditions of the financing arrangements between Alpha Investment and Hawaz are described in Note 10 – Interest bearing loans and borrowings and finance lease liabilities.

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, Hawaz (an associate of Inovalis) signed with CanCorpEurope (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, Hawaz and CanCorpEurope have renewed their engagement to sell and to purchase the investment properties through six amendments (refer to Note 17 – Subsequent events).

(i)Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 1.1% plus 0.05% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration calculated as 0.35% of the value of the managed property plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in "Administration expenses" in the interim carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim carve-out balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plans to investors, making settlements included in the annual budget and business plans and contracting with third parties.

Property management fees are included in "Other property operating expense" in the interim carve-out income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim carve-out balance sheets.

Note 15 – Derivative financial instruments

The Group entered into an interest rate cap with notional amounts of € 40,661 thousand, € 42,256 thousand, and € 42,774 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate finance lease liabilities (refer to Note 10 – Interest-bearing loans and borrowings and finance lease liabilities). The cap is to expire as of December 31, 2012. Fair value of the cap is nil as at September 30, 2012 and December 31, 2011 (the strike price of the cap amounts to 5.10%).

Note 16 – Capital management

The Group's objectives when managing capital are to safeguard the Group is ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 17 – Subsequent Events

On May 2, 2012, Hawaz signed with CanCorpEurope a bilateral promise of sale of the carve-out lease contracts held by Hawaz. The sale of the carved-out finance lease contracts under which investments properties are held by Hawaz (including the related lease contracts with tenants) was authorized by the lessor of the finance lease on March 19, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorised by a resolution of the shareholder on April 23, 2012. Since May 2, 2012, Hawaz and CanCorpEurope have renewed their engagement to sell and to purchase through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

On October 1, 2012, Hawaz and France Telecom (a tenant) agreed to the renewal of the lease for a period of nine years (including a break option at the end of the seventh year).

In December 2012 and February 2013, Hawaz's shareholder and the ultimate shareholders issued comfort letters to Hawaz in order to support the business model until the end of December 2013 (refer to Note 13 – Financial risk management objectives and policies).

PREI Portfolio Group

Unaudited Interim Combined Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

Unaudited Interim Combined Income Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)		For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim combined income statements	**Note**	**2012**	**2011**	**2012**	**2011**
Rental income	*2*	3,105	3,227	846	1,081
Service charge income	*2*	730	678	270	215
Service charge expense	*3*	(660)	(617)	(207)	(204)
Other property operating expense	*3*	(157)	(117)	(107)	(50)
Net rental income		3,019	3,171	800	1,043
Administration expenses		(646)	(623)	(239)	(201)
Valuation gains (losses) from investment property	*7*	(1,839)	2,331	(163)	(45)
Operating profit (loss)		534	4,880	399	797
Finance income	*4*	—	631	—	170
Finance costs	*4*	(2,239)	(2,319)	(631)	(863)
Profit (loss) before taxes		(1,705)	3,192	(232)	103
Income tax expense	*6*	43	(1,410)	(64)	(184)
Profit (loss) for the period		**(1,662)**	**1,781**	**(296)**	**(81)**

Unaudited Interim Combined Statements of Comprehensive Income for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim combined statements of comprehensive income	2012	2011	2012	2011
Profit (loss) for the period	**(1,662)**	**1,781**	**(296)**	**(81)**
Other comprehensive income:				
	—	—	—	
Total comprehensive income (loss)	(1,662)	1,781	(296)	(81)

Unaudited Interim Combined Balance Sheet as at September 30, 2012

(in thousands of Euros)

Assets	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Non-current assets				
Investment property	*7*	56,172	57,673	57,682
Deferred tax assets	*6*	—	—	—
Total non-current assets		56,172	57,673	57,682
Current assets				
Trade and other receivables	*8*	5,009	4,389	3,843
Financial asset		167	167	167
Derivative financial instruments	*13.15*	—	—	—
Cash and cash equivalents	*9*	776	670	996
Total current assets		5,952	5,226	5,006
Total assets		**62,125**	**62,899**	**62,688**

(in thousands of Euros)

Equity and Liabilities	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Invested equity				
Invested equity		(9,901)	(8,239)	(7,842)
Total invested equity		(9,901)	(8,239)	(7,842)
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	*10*	—	—	—
Finance lease liabilities	*10.12*	27,811	29,354	29,842
Tenant deposits	*13*	797	446	446
Deferred tax liabilities	*6*	2,342	2,384	2,237
Total non-current liabilities		30,950	32,185	32,526
Current liabilities				
Interest-bearing loans and borrowings	*10*	29,189	27,494	26,762
Finance lease liabilities	*10.12*	2,030	1,907	1,863
Tenant deposits	*13*	—	704	700
Derivative financial instruments	*13.15*	—	—	177
Trade and other payables	*11*	9,857	8,849	8,503
Total Current liabilities		41,076	38,954	38,005
Total liabilities		72,026	71,138	70,530
Total equity and liabilities		**62,125**	**62,899**	**62,688**

Unaudited Interim Combined Statements of changes in Invested Equity

(in thousands of Euros)

Interim combined statements of changes in invested equity	Total invested equity
At January 1, 2011	**(9,623)**
Profit (loss) for the period	1,781
Other comprehensive income	—
Total comprehensive income (loss)	1,781
Increase in invested equity	—
Payment of dividends	—
At September 30, 2011	**(7,842)**
Profit (loss) for the period	(397)
Other comprehensive income	—
Total comprehensive income (loss)	(397)
Increase in invested equity	—
Payment of dividends	—
At December 31, 2011	**(8,239)**
Profit (loss) for the period	(1,662)
Other comprehensive income	—
Total comprehensive income (loss)	(1,662)
Increase in invested equity	—
Payment of dividends	—
At September 30, 2012	**(9,901)**

Unaudited Interim Combined Statements of Cash Flows for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)		For the nine-month periods ended September 30,	
Interim combined statements of cash flows	Note	2012	2011
Cash flow from operating activities			
Profit (loss) before taxes		(1,705)	3,192
Adjustments to reconcile profit (loss) before taxes to net cash flows			
Capitalised letting fees	*7*	(126)	50
Rent free period	*2,7*	(165)	(303)
Valuation (gains) / losses from fair value adjustment on investment property	*7*	1,839	(2,331)
Net fair value (gains) / losses on derivative financial instruments	*4*	—	(616)
Net gain from disposals		—	235
Finance cost – net	*4*	2,233	2,371
		2,077	2,597
Working capital adjustments			
(increase) / decrease in trade and other receivables		(620)	(1,476)
increase / (decrease) in tenants deposits		3,630	5,723
increase / (decrease) in trade and other payables		(2,974)	(5,233)
		2,113	1,612
Tax (paid) received	*6*	—	—
Net Cash generated from operating activities		2,113	1,612
Cash flow from investing activities			
Subsequent expenditure on investment property	*7*	(49)	(320)
Net Cash used in investing activities		(49)	(320)
Cash flow from financing activities			
Repayment of finance lease liabilities		(1,419)	(1,263)
Interest paid		(544)	(716)
Net Cash used in financing activities		(1,963)	(1,979)
Net (decrease) increase in cash and cash equivalents		**101**	**(687)**
Effects of foreign exchange adjustments	*4*	6	(52)
Cash & cash equivalents at the beginning of the financial period	*9*	**670**	**1,736**
Cash and cash equivalents at the end of the financial period	*9*	**776**	**996**

Notes to the Unaudited Interim Combined Financial Statements

Note 1 – Basis of preparation

Background and Perimeter of combination

The interim combined financial statements of PREI Portfolio Group (referred to as the "Group" afterwards) designates the combination of PARIS REAL ESTATE INVESTMENT 2 S.à.r.l ("PREI 2") and PARIS REAL ESTATE INVESTMENT 4 S.à.r.l ("PREI 4"), two private limited companies both created on December 18, 2006 under French law (registration numbers respectively: 493 321 806 RCS PARIS and 420 780 835 RCS Paris). The registered offices of PREI 2 and PREI 4 are located at 52, rue de Bassano 75008 Paris, France.

These interim combined financial statements have been prepared solely in connection with the initial public offering of Inovalis Real Estate Investment Trust (the "REIT") (referred to as "the transaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

PREI 2 and PREI 4 are subsidiaries of PREI Holding which is an associate of Inovalis S.A (referred as "the Management Company" or "INOVALIS"), a private company specializing in investment fund management in real estate created on November 16, 1998 under French Law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the "AMF") on March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The interim Combined financial statements of PREI Portfolio Group were authorized for issue by the legal representative of PREI Holding (the "Président") on March 28, 2013.

Nature of Business

The objective of the Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

- PREI 2 holds rights through a finance lease contract on a French commercial property located at 19 and 21 avenue Dubonnet, Courbevoie, France, referred to the "Dubonnet property" onwards. The sale to CanCorpEurope of the finance lease contract under which this property is held, including the transfer of the lease contracts with the tenants of such property, was duly authorized by a resolution of the sole shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed on May 2, 2012 and since then the agreement has been renewed through six amendments described in Note 17 – Subsequent Events.
- PREI 4 holds rights through a finance lease contract on a French commercial property located at 40 rue des Jeuneurs, Paris, France, referred to as the "Jeuneurs property" onwards. The sale to CanCorpEurope of the finance lease contract under which this property is held, including the transfer of the lease contracts with the tenants of such property, was duly authorized by a resolution of the sole shareholder on April 23, 2012. The initial bilateral promise of sale of the lease contract was signed on May 2, 2012 and since then, the agreement has been renewed through six amendments described in Note 17 – Subsequent Events).

Methods used for the preparation of the interim combined financial statements

These interim combined financial statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012 have been prepared in accordance with IAS 34, "Interim financial reporting" to present the historical operations and financial position of PREI 2 and PREI 4 as of and for the period ended September 30, 2012 on the basis that these two businesses are ultimately under the control of the same shareholder. This Interim Combined financial statements should be read in conjunction with the annual Combined financial statements for the year ended December 31, 2011, 2010 and 2009, which have been prepared in accordance with IFRS.

The accompanying interim combined financial statements as of and for the period 2012 have been derived from the financial information historically prepared by the General Manager.

The Group is not a legal group or separately established investment entity and did not previously operate as a separate, stand-alone Group. The interim combined financial statements included herein may not necessary be indicative of the Group's financial position, results of operations, changes in invested equity or cash flows had the Group operated as a stand-alone entity during the periods presented or for future periods.

All intra-group transactions (i.e transactions between PREI 2 and PREI 4), balances and unrealized gains and losses resulting from intra-group transactions have been eliminated.

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Group had been a stand-alone company during the period presented (See Note 14 – Transactions with related parties).

The financial statements of entities in the perimeter of combination are prepared as of the same closing date, using consistent accounting policies.

Changes in total invested equity represent Group's net investment in the Asterisk Portfolio after giving effect to the net earnings (losses) of PREI Portfolio Group.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new Standards, amendments and Interpretations applicable from January 1, 2012 mentioned below. The following new Standards, amendments and Interpretations have no material impact on the Group's interim combined financial statements at September 30, 2012:

- Amendment to IFRS 7, "Financial instruments: Disclosures", on transfer of financial assets
- Amendment to IAS 12, "Income taxes", on deferred tax
- Amendment to IFRS 1, "Severe hyper-inflation and removal of fixed dates for first-time adopters"

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning at 1 January 2012:

- IAS 1 Amended "Financial statement presentation" regarding other comprehensive income
- IAS 19 Amended "Employee Benefits"
- IAS 27 Revised "Separate Financial Statements"
- IAS 28 Revised "Investments in Associates and Joint Ventures"
- IAS 32 Amended, "Financial instruments: Presentation", on asset and liability offsetting
- IFRS 1 Amended, "Government loans"
- IFRS 7 Amended, "Financial instruments: Disclosures", on asset and liability offsetting
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

The Group intends to adopt those standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards and Amendments on its combined financial statements in the period of initial application.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Due to the nature of its business, the Group revenue is not subject to any seasonality. Revenues and operating profits are evenly spread out over the year.

Judgments and Estimates

The preparation of interim combined financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim combined financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended December 31, 2011.

Note 2 – Revenue

(in thousands of Euros)	**For the nine-month periods ended September 30,**		**For the three-month periods ended September 30,**	
Revenue	**2012**	**2011**	**2012**	**2011**
Rental income	3,105	3,227	846	1,081
Service charge income	730	678	270	215
Total revenue	**3,835**	**3,904**	**1,115**	**1,296**

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break options before the end of the lease term.

The Group has granted incentives such as rent-free periods to new tenants. The average number of months of rent-free periods granted is 5 months. The total unamortized portion of rent-free periods is detailed as follows:

	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
(in thousands of Euros)	**2012**	**2011**	**2012**	**2011**
Gross amount of lease incentives not fully amortized	786	312	—	—
Recognised in profit or loss	165	303	(4)	1
Net amount of lease incentives not fully amortized	**951**	**615**	**(4)**	**1**

Note 3 – Service charge and other property operating expenses

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Service charge and other property operating expenses	**2012**	**2011**	**2012**	**2011**
Operating expenses	(659)	(616)	(207)	(208)
Maintenance and repairs	(1)	—	—	4
Service charge expense	(660)	(617)	(207)	(204)
Property management expenses	(169)	(130)	(107)	(50)
Bad debt allowance	13	(2)	—	—
Other	—	16	—	1
Other property operating expense	(157)	(117)	(107)	(50)
Total property expenses	**(816)**	**(733)**	**(315)**	**(254)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 4 – Finance income and costs

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance income	**2012**	**2011**	**2012**	**2011**
Net change in fair value of financial instruments at fair value through profit or loss	—	616	—	170
Selling price of asset	—	15	—	—
Total finance income	**—**	**631**	**—**	**170**

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance costs	**2012**	**2011**	**2012**	**2011**
Finance costs on derivative instrument, net	—	(105)	—	(30)
Interest on interest-bearing loans and borrowings	(1,689)	(1,656)	(558)	(552)
Finance lease – interest	(544)	(611)	(154)	(226)
Finance cost – net	**(2,233)**	**(2,371)**	**(712)**	**(809)**
Net foreign exchange loss	(6)	52	100	(55)
Total finance costs	**(2,239)**	**(2,319)**	**(631)**	**(863)**

Note 5 – Segment information

All investment properties included in these interim combined financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the PREI Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to € 2,623 thousand, € 2,760 thousand, € 395 thousand and € 953 thousand, for the nine months ended September 30, 2012, the nine months ended September 30, 2011, the three months ended September 30, 2012 and the three months ended September 30, 2011, respectively.

Note 6 – Taxation

The major components of income tax expense for the periods presented are:

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Income tax	**2012**	**2011**	**2012**	**2011**
Current tax	—	—	—	—
Deferred tax	43	(1,410)	(64)	(184)
Income tax expense reported in the income statement	**43**	**(1,410)**	**(64)**	**(184)**

	For the nine-month periods ended September 30,	
	2012	**2011**
Profit before tax	**(1,705)**	**3,192**
Tax calculated at tax rate applicable to group profits (33.33%)	568	(1,064)
Non deductible expenses	(431)	(401)
Tax losses for which no deferred income tax asset was recognised	(94)	55
Total tax expense reported in the income statement	**43**	**(1,410)**

	Interim combined balance sheets		Interim combined income statement	
	For the nine-month periods ended September 30,		For the nine-month periods ended September 30,	
(in thousands of Euros)	**2012**	**2011**	**2012**	**2011**
Deferred tax liabilities				
Revaluations of investment property to fair value	3,171	3,808	583	(807)
Rent free period	142	103	(29)	(47)
Paid and amortisation of capitalised letting fees	98	63	(42)	17
Other deferred tax liabilities	353	279	(56)	(56)
	3,765	**4,253**		
Deferred tax assets				
Restatement of lease	400	1,087	(523)	(471)
Revaluations of financial instrument to fair value	(3)	56	—	(205)
Losses available for offset against future taxable	1,022	872	110	159
Other deferred tax assets	6	1	—	—
	1,424	**2,016**		
Deferred income tax expense			**43**	**(1,410)**
Deferred tax assets / (liabilities) net	**(2,342)**	**(2,237)**		
Reflected in the balance sheet as follows :				
– Deferred tax assets	—	—		
– Deferred tax liabilities	(2,342)	(2,237)		
Deferred tax assets / (liabilities) net	**(2,342)**	**(2,237)**		

The Group has tax losses which arose in France of € 10,327 thousand for the nine month period ended September 30, 2012 (tax losses for the nine month period ended September 30, 2011 were € 9,228 thousand) that can be carried forward indefinitely against future taxable income of the companies in which the losses arose. The Group did not recognize deferred income tax asset in respect of the losses amounting to € 7,262 thousand for the nine month period ended September 30, 2012 (losses for the nine month period ended September 30, 2011 were € 6,612 thousand).

The two French entities included in the combined financial statements are members of the tax group set up by PREI Holding under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and PREI Holding, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to December 31, 2011. The amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The fraction of the tax loss that cannot be utilized is carried forward to subsequent years unless Group leaves the tax Group and is due on the same terms.

Note 7 – Investment property

Investment property	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
At the beginning of the period	**57,673**	**54,778**	**54,778**
Additions	49	353	320
Disposals	—	—	—
Capitalised letting fees	126	(71)	(50)
Rent free period	165	474	303
Fair value adjustment	(1,839)	2,139	2,331
At the end of the period	**56,172**	**57,673**	**57,682**

As at September 30, 2012 fair values of the investment properties have been determined based on the transaction's price negotiated between the parties as defined in the bilateral promise of sale of the lease contracts, which was renewed on January 29, 2013 (refer to Note 17 – Subsequent events).

As at December 31, 2011 and September 30, 2011, the fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As applied to the preparation of the financial statements for the year ended December 31, 2011, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables in arriving at their estimates of market values.

The valuations were performed at historical dates by leading independent appraisers with recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Aggregate value of property held under lease agreements amounts to € 58,650 thousand and € 58,650 thousand, before deduction of French real estate transfer tax on purchase option, as at December 31, 2011 and September 30, 2011 respectively.

Future lease payments are presented in Note 12 – Finance lease liabilities.

Note 8 – Trade and other receivables

(in thousands of Euros)

Trade and other receivables	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Trade receivables	447	311	193
Provision for impairment of receivables	—	(13)	(13)
Trade receivables	**447**	**298**	**180**
Receivables from related parties	4,228	3,694	3,281
VAT receivable	294	364	343
Other receivables	—	33	2
Prepaid expenses	40	—	38
Other receivables	**4,562**	**4,091**	**3,663**
Total trade and other receivables	**5,009**	**4,389**	**3,843**

The share of trade and other receivables with related parties is disclosed in Note 14 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Movements in the provision for impairment of receivables were as follows:

(in thousands of Euros)

Provision for impairment of receivables	
At January 1, 2011	**(11)**
Charge for the period	(2)
Utilised	—
At September 30, 2011	**(13)**
Charge for the period	—
Utilised	—
At December 31, 2011	**(13)**
Charge for the period	—
Utilised	13
At September 30, 2012	**—**

Note 9 – Cash and cash equivalents

(in thousands of Euros)

Cash and cash equivalents	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Cash at bank and on hand	776	670	996
Total	**776**	**670**	**996**

Some bank accounts are pledged in favor of the lessor. The amount pledged at the end of the reporting period is € 157 thousand (in December 31, 2011, the amount pledge was € 157 thousand and in September 30, 2011, € 157 thousand).

Note 10 – Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Non current	
€ 7,254,000 subordinated loan	11%	31/12/2013	—	—	—
€ 48,000 subordinated loan	11%	31/12/2013	—	—	—
Total interests-bearing loans and borrowings			—	—	—
€ 21,646,000 finance lease liabilities	Euribor 3M + 1.05% Euribor 3M + 2.40%	13/01/2019	15,399	16,200	16,458
Total finance lease liabilities			15,399	16,200	16,458
PREI 4 – Building "Jeuneurs"			**15,399**	**16,200**	**16,458**
€ 10,478,000 subordinated loan	11%	31/12/2013	—	—	—
€ 462,000 subordinated loan	11%	31/12/2013	—	—	—
€ 2,236,000 subordinated loan	8.50%	10/07/2013	—	—	—
Total interests-bearing loans and borrowings			—	—	—
€ 16,061,000 finance lease liabilities	Euribor 3M + 1.20% Euribor 3M + 2.20%	16/10/2015	12,412	13,154	13,384
Total finance lease liabilities			12,412	13,154	13,384
PREI 2 – Building "Dubonnet"			**12,412**	**13,154**	**13,384**
Total interests-bearing loans and borrowings			**—**	**—**	**—**
Total finance lease liabilities			**27,811**	**29,354**	**29,842**
			27,811	**29,354**	**29,842**

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Current	
€ 7,254,000 subordinated loan	11%	31/12/2013	10,246	9,647	9,448
€ 48,000 subordinated loan	11%	31/12/2013	76	72	70
Total interests-bearing loans and borrowings			10,322	9,719	9,518
€ 21,646,000 finance lease liabilities	Euribor 3M + 1.05% Euribor 3M + 2.40%	13/01/2019	1,058	1,017	991
Total finance lease liabilities			1,058	1,017	991
PREI 4 – Building "Jeuneurs"			**11,380**	**10,736**	**10,509**
€ 10,478,000 subordinated loan	11%	31/12/2013	14,838	13,935	13,647
€ 462,000 subordinated loan	11%	31/12/2013	733	694	678
€ 2,236,000 subordinated loan	8.50%	10/07/2013	3,297	3,146	2,918
Total interests-bearing loans and borrowings			18,867	17,776	17,243
€ 16,061,000 finance lease liabilities	Euribor 3M + 1.20% Euribor 3M + 2.20%	16/10/2015	972	890	872
Total finance lease liabilities			972	890	872
PREI 2 – Building "Dubonnet"			**19,839**	**18,665**	**18,115**
Total interests-bearing loans and borrowings			**29,189**	**27,494**	**26,762**
Total finance lease liabilities			**2,030**	**1,907**	**1,863**
			31,219	**29,401**	**28,625**

Subordinated loans have been subscribed by the ultimate shareholders Inovalis, IIB France Investments Holding BSC (referred to as IIB France) and IIB BSC. The ultimate shareholders agreed in 2012 to extend the initial maturities of the Subordinated loans due December 18, 2011 and June 30, 2012 December 31, 2013 and July 10, 2013 (refer to "Liquidity management" in Note 13 – Financial risk management objectives and policies for the details of the renegotiation of the subordinated loans).

PREI 2 and PREI 4 did not pay their pending coupons on the subordinated loans for the years ended December 31, 2011, 2010 and 2009 and for the nine month period ended September 30, 2012. Due to the default of payment of the pending coupons, Inovalis, IIB France Investments Holding BSC and IIB BSC could have asked for immediate reimbursement of the subordinated loans (the dates of the waivers obtained by PREI 2 and PREI 4 are presented in Note 14 – Transactions with related parties) and consequently, the subordinated loans have been presented as current no matter which is the contractual due date.

Note 11 – Trade and other payables

(in thousands of Euros)

Trade and other payables	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Trade payables	640	506	423
Payables to related parties	2,893	2,854	2,533
Trade payables	**3,533**	**3,360**	**2,956**
Other payables to related parties	5,499	5,368	5,357
VAT payable	213	51	68
Other liabilities	551	70	86
Deffered income	61	—	35
Other payables	**6,324**	**5,488**	**5,546**
Total trade and other payables	**9,857**	**8,849**	**8,503**

The share of trade and other payables on related parties is disclosed in Note 14 – Transactions with related parties. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 12 – Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment property (See Note 7 – Investment property). The leases are accounted for as finance leases.

Typically in these leases:

- lease terms are 12 years (starting October 16, 2003) and 15 years (starting January 14, 2004);
- have a fixed option to purchase the asset that is sufficiently lower than the fair value of the date the option become exercisable;
- at the inception of the leases, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at September 30, 2012		As at December 31, 2011		As at September 30, 2011	
(in thousands of Euros)	**Carrying value**	**Minimum Lease payments**	**Carrying value**	**Minimum Lease payments**	**Carrying value**	**Minimum Lease payments**
Within 1 year	2,030	2,491	1,907	2,572	1,863	2,636
After 1 year, but not more than 5 years	17,236	18,799	17,796	19,521	17,967	19,725
More than 5 years	10,576	11,024	11,558	12,209	11,875	12,590
	29,842	**32,314**	**31,261**	**34,302**	**31,705**	**34,950**
Less : future interest costs		(2,472)		(3,041)		(3,245)
	29,842	**29,842**	**31,261**	**31,261**	**31,705**	**31,705**
Of which is non current	27,811		29,354		29,842	
Of which is current	2,030		1,907		1,863	
	29,841		**31,261**		**31,705**	

Terms of loans and borrowings related to these finance leases are presented in Note 10 – Interest-bearing loans and borrowings and finance lease liabilities.

Note 13 – Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Managers use the services of Inovalis for financial risk management.

General Managers and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advise on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Managers have reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Given its level of debt, the Group is exposed to significant risks related to liquidity and changes in interest rates. It is also exposed to currency risks considering it entered into a financing facility agreement in United States Dollars. The Group's counterparty risk in relation to its derivatives is not significant as the majority of its derivatives are set up with leading banks with strong ratings.

Generally, interest rate and currency risks are managed centrally for the Group as a whole by the Debt Management Department.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate swaps and options, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, the Group also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency (Euros).

PREI 2's only exposure to foreign exchange risk with respect to the United States Dollars, arises exclusively from a financing facility agreement in United States Dollars.

The group treasury's risk management policy is not to hedge this exposure.

Sensitivity analysis

The analysis below describes reasonably possible movements in foreign exchange rates with all other variables held constant, showing the impact on profit before taxes and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before tax and equity
As at September 30, 2012		
Exchange rate	+5	123
Exchange rate	-5	(136)
As at December 31, 2011		
Exchange rate	+5	127
Exchange rate	-5	(140)
As at September 30, 2011		
Exchange rate	+5	122
Exchange rate	-5	(135)

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk" below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of association
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Managers. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund's operation.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest cost). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At September 30, 2012						
Interest-bearing loans and borrowings	—	29,189	—	—	—	29,189
Finance leases	—	491	1,539	17,236	10,575	29,841
Tenant deposits	—	—	—	210	587	797
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	9,857	—	—	—	9,857
	—	**39,537**	**1,539**	**17,446**	**11,162**	**69,684**

(in thousands of Euros)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At December 31, 2011						
Interest-bearing loans and borrowings	—	27,494	—	—	—	27,494
Finance leases	—	468	1,439	17,796	11,558	31,261
Tenant deposits	66	638	—	241	205	1,151
Derivative financial instruments	—	—	—	—	—	—
Trade and other payables	—	8,849	—	—	—	8,849
	66	**37,449**	**1,439**	**18,037**	**11,764**	**68,754**

(in thousands of Euros) At September 30, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	—	26,762	—	—	—	26,762
Finance leases	—	448	1,415	17,967	11,875	31,705
Tenant deposits	66	634	—	241	205	1,146
Derivative financial instruments	—	—	177	—	—	177
Trade and other payables	—	8,503	—	—	—	8,503
	66	**36,346**	**1,593**	**18,208**	**12,080**	**68,293**

Liquidity management

These interim combined financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of both PREI 2 and PREI 4 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

As of December 17, 2012 and January 20, 2013 respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder (International Investment Bank referred to as "IIB BSC") issued comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2013.

On July 11, 2012, the subordinated loan between IIB BSC and PREI 2 was amended to postpone the due date to July 10, 2013. On August 28, 2012, the subordinated loans between IIB France and PREI 2 and PREI 4 were renegotiated to extend the maturity date until December 31, 2013. On November 26, 2012, the subordinated loans between Inovalis and PREI 2 and PREI 4 were renegotiated to postpone the due date as of December 31, 2013.

On December 17, 2012, Inovalis also confirmed it will not ask for the payment of the fees due by PREI 2 and PREI 4 until the end of 2013.

Fair value of financial instruments

Below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying amount			Fair value		
(in thousands of Euros)	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
Financial assets						
Trade receivables and financial assets	5,176	4,556	4,010	5,176	4,556	4,010
Derivative financial instruments	—	—	—	—	—	—
Cash and short-term deposits	776	670	996	776	670	996
	5,952	**5,226**	**5,006**	**5,952**	**5,226**	**5,006**
Financial liabilities						
Interest-bearing loans and borrowings	29,189	27,494	26,762	29,189	27,494	26,762
Finance leases	29,841	31,261	31,705	28,165	29,314	29,357
Tenant deposits	797	1,150	1,146	797	1,151	1,146
Derivative financial instruments	—	—	177	—	—	177
Trade and other payables	9,857	8,849	8,503	9,857	8,849	8,503
	69,684	**68,753**	**68,293**	**68,008**	**66,807**	**65,945**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair values of the subordinated loans subscribed by ultimate shareholders in their capacity as lenders are considered to be their nominal values.
- The fair values of the derivative interest rate swap and options contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy*:

(in thousands of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
As at September 30, 2012				
Derivatives (liabilities)	—	—	—	—
	—	—	—	—
As at December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Derivatives (liabilities)	—	—	—	—
	—	—	—	—
As at September 30, 2011	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Derivatives (liabilities)	—	177	—	177
	—	**177**	—	**177**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 14 – Transactions with related parties

The Group's immediate parent company is "PREI Holding", which owns 100% of PREI 2 and PREI 4's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial period:

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to Realista (Subsidiary of Inovalis)	Amount due to PREI Holding	Amount due to IIB BSC and IIB France
September 30, 2012					
Fees [i]	(644)	(477)	(167)	—	—
Interest	(1,689)	(43)	—	—	(1,646)
Intercompany account (assets)	4,228	—	—	4,228	—
Intercompany account (liabilities)	(5,499)	—	—	(5,499)	—
Trade payable	(2,893)	(2,870)	(23)	—	—
Interests-bearing loans and borrowings	(29,189)	(809)	—	—	(28,380)
December 31, 2011					
Fees [i]	(811)	(636)	(175)	—	—
Interest	(2,211)	(60)	—	—	(2,151)
Intercompany account (assets)	3,694	—	—	3,694	—
Intercompany account (liabilities)	(5,368)	—	—	(5,368)	—
Trade payable	(2,854)	(2,632)	(222)	—	—
Interests-bearing loans and borrowings	(27,494)	(766)	—	—	(26,729)
September 30, 2011					
Fees [i]	(616)	(477)	(139)	—	—
Interest	(1,656)	(42)	—	—	(1,613)
Intercompany account (assets)	3,281	—	—	3,281	—
Intercompany account (liabilities)	(5,357)	—	—	(5,357)	—
Trade payable	(2,533)	(2,432)	(101)	—	—
Interests-bearing loans and borrowings	(26,762)	(748)	—	—	(26,014)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort granted by the ultimate shareholders in their capacity as lenders are described in Note 13 – Financial risk management objectives and policies and Note 10 – Interest bearing loans and borrowings and finance lease liabilities.
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 13 – Financial risk management objectives and policies .
- Currents accounts with PREI Holding are non-interest bearing.

Comfort letters were signed by ultimate shareholders in their capacity as lenders to confirm they will not ask for the payment of the subordinated loans and the pending coupons. The table below summarizes for each subordinated loan the date of signing of the comfort letter, years covered and the interest rates charged:

(in thousands of Euros)	Lender	Effective interest rate		
		As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
€ 10,478,000 subordinated loan	IIB France	11%	11%	11%
€ 7,254,000 subordinated loan	IIB BSC	11%	11%	11%
€ 2,236,000 subordinated loan	IIB BSC	8.50%	8.50%	8.50%
Waiver and Confort letters				
Date of signature and year covered		May 13, 2012	May 15, 2011	May 15, 2011

		As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
€ 462,000 subordinated loan	Inovalis	11%	11%	11%
€ 48,000 subordinated loan	Inovalis	11%	11%	11%
Waiver and Confort letters				
Date of signature and year covered		March 8, 2012	April 29, 2011	April 29, 2011

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

On May 2, 2012, PREI 2 and PREI 4 (associates of Inovalis) both signed with CanCorpEurope (subsidiary of Inovalis) a bilateral promise of sale of the lease contracts held. Since May 2, 2012, PREI2 and PREI 4 and CanCorpEurope have renewed their engagement to sell and to purchase the investment properties through six amendments (refer to Note 17 – Subsequent events).

(i) Fees

Fees paid to Inovalis and REALISTA consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.9% plus 0.1% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. REALISTA is entitled to an annual remuneration calculated as 0.2% of the value of the managed property (value at the date of inception of the agreement) plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in "Administration expenses" in the interim combined income statement, and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim combined balance sheets. Strategic fees compensate for services which consist of preparing and updating annual budget and business plans to investors, making settlements included in the annual budget and business plans and contracting with third parties.

Property management fees are included in "Other property operating expense" in the interim combined income statement, and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim combined balance sheets.

Note 15 – Derivative payables financial instruments

The Group has entered into an interest rate swap and options with notional amounts of € 21,646 thousand whereby it receives a variable rate of interest based on Euribor 3M and pays a fixed rate of interest at 4.80% on the notional amount. The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (see Note 13 – Financial risk management objectives and policies).

As at September 30, 2011, the aggregate fair value of the interest rate swap and options was a liability of € 177 thousand.

As at September 30, 2012 and December 31, 2011, all hedging contracts are expired.

Note 16 – Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 17 – Subsequent Events

On May 2, 2012, PREI 2 and PREI 4 signed with CanCorpEurope a bilateral promise of sale of the lease contracts held. The sale of lease contracts under which investments properties are held by PREI 2 and PREI 4 and of the related lease contracts with tenants was authorized by the lessors of the finance leases on March 19, 2013 and March 25, 2013 (subject to specific engagements to be taken by the vendors and the acquirer) and authorised by a resolution of the sole shareholder on April 23, 2012. Since May 2, 2012, PREI2 and PREI 4 and CanCorpEurope have renewed their agreement to sale and to purchase the investment properties through six amendments signed as of June 28, 2012, October 12, 2012, October 31, 2012, December 20, 2012, January 29, 2013 and February 20, 2013, respectively. The latter amendments extended the period for fulfillment of the condition precedent of funding until April 20, 2013 and refined the calculation of variables in the formula price. According to these amendments, parties are bound to their promises until April 30, 2013.

As mentioned above in Note 13 - Financial risk management objective and policies, as of December 17, 2012 and January 20, 2013, respectively, the ultimate shareholder (Inovalis) and the ultimate controlling shareholder (IIB BSC) issued comfort letters in order to support the business model of PREI 2 and PREI 4 until the end of December 2013.

A tax audit of PREI 2 conducted by the French Tax Authority on fiscal years 2009, 2010 and 2011 started in October 2012 and is still pending.

WEL 6

Unaudited Interim Financial Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

Unaudited Interim Income Statements for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)		For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim income statements	Note	2012	2011	2012	2011
Rental income	2	1,013	1,014	338	338
Service charge income	2	45	39	14	16
Service charge expense		(69)	(64)	(24)	(26)
Other property operating expense		(81)	(61)	(40)	(20)
Net rental income		907	927	286	307
Administration expenses		(63)	(69)	(20)	(20)
Valuation gains (losses) from investment property	6	644	(1,153)	7	5
Operating profit (loss)		1,488	(295)	273	292
Finance income	3	37	—	12	—
Finance costs	3	(823)	(880)	(266)	(693)
Profit (loss) before taxes		703	(1,175)	18	(401)
Income tax expense	5	—	—	—	—
Profit (loss) for the period		**703**	**(1,176)**	**18**	**(401)**

Unaudited Interim Statements of Comprehensive Income for the three-month period ended September 30, 2012 and the nine-month period ended September 30, 2012

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Interim statements of comprehensive income	2012	2011	2012	2011
Profit (loss) for the period	**703**	**(1,176)**	**18**	**(401)**
Other comprehensive income :				
	—	—	—	—
Total comprehensive income (loss)	703	(1,176)	18	(401)

Unaudited Interim Balance Sheet as at September 30, 2012

(in thousands of Euros)

Assets	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Non-current assets				
Investment property	*6*	20,445	19,821	19,823
Deferred tax assets	*5*	—	—	—
Total non-current assets		20,445	19,821	19,823
Current assets				
Trade and other receivables	*7*	280	152	148
Derivative financial instruments	*12,14*	—	—	—
Cash and cash equivalents	*8*	108	249	222
Total current assets		388	401	370
Total assets		**20,833**	**20,223**	**20,193**

(in thousands of Euros)

Equity and Liabilities	Note	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Shareholder's equity				
Share capital		1	1	1
Retained earnings		(3,626)	(4,329)	(4,383)
Total equity		(3,625)	(4,328)	(4,382)
Liabilities				
Non-current liabilities				
Loans and borrowings	*9*	—	—	—
Finance lease liabilities	*11*	16,424	16,554	16,554
Derivative financial instruments	*12,14*	1,563	1,600	1,578
Total non-current liabilities		(17,988)	18,154	18,133
Current liabilities				
Loans and borrowings	*9*	5,270	5,207	5,173
Finance lease liabilities	*11*	130	—	—
Trade and other payables	*10*	1,070	1,189	1,269
Total Current liabilities		6,471	6,396	6,443
Total liabilities		24,458	24,550	24,575
Total equity and liabilities		**20,833**	**20,223**	**20,193**

Unaudited Interim Statements of changes in Shareholder's Equity

(in thousands of Euros)

Interim statements of changes in shareholder's equity	Share capital	Retained earnings	Total equity
At January 1, 2011	**1**	**(3,208)**	**(3,207)**
Profit (loss) for the period	—	(1,176)	(1,176)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	(1,176)	(1,176)
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At September 30, 2011	**1**	**(4,383)**	**(4,382)**
Profit (loss) for the period	—	55	55
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	55	55
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At December 31, 2011	**1**	**(4,329)**	**(4,328)**
Profit (loss) for the period	—	703	703
Other comprehensive income	—	—	—
Total comprehensive income (loss)	—	703	703
Increase in share capital	—	—	—
Payment of dividends	—	—	—
At September 30, 2012	**1**	**(3,626)**	**(3,625)**

Unaudited Interim Statements of Cash Flows for the nine-month period ended September 30, 2012

(in thousands of Euros)		**For the nine-month periods ended September 30,**	
Interim statements of cash flows	**Note**	**2012**	**2011**
Cash flow from operating activities			
Profit (loss) before taxes		703	(1,175)
Adjustments to reconcile profit (loss) before taxes to net cash flows			
Capitalised letting fees	*6*	20	(248)
Rent free period		—	—
Valuation (gains) / losses from fair value adjustment on investment property	*6*	(644)	1,153
Net fair value (gains) / losses on derivative financial instruments	*3*	(36)	11
Other financial costs		26	44
Finance cost – net	*3*	796	825
		865	609
Working capital adjustments			
(increase) / decrease in trade and other receivables		(128)	115
increase / (decrease) in tenants deposits		—	—
increase / (decrease) in trade and other payables		(129)	86
Net Cash generated from operating activities		608	810
Cash flow from investing activities			
Subsequent expenditure on investment property		—	—
Increase (decrease) of other financial assets		—	—
Net Cash used in investing activities		—	—
Cash flow from financing activities			
Proceeds from borrowings		—	—
Interest paid		(749)	(778)
Net Cash used in financing activities		(749)	(778)
Net (decrease) increase in cash and cash equivalents		**(141)**	**32**
Cash & cash equivalents at the beginning of the financial period	*8*	**249**	**190**
Cash and cash equivalents at the end of the financial period	*8*	**108**	**222**

Notes to the Unaudited Interim Financial Statements

Note 1 – Basis of preparation

Background

WEL 6 is a private limited company, established on December 15, 2006 under French law (registration number: 493 276 588 RCS PARIS). The address of its registered office is 52, rue de Bassano 75008 Paris, France.

These interim financial statements have been prepared solely in connection with the initial public offering of INOVALIS Real Estate Investment Trust (the "REIT") (referred to as the "Transaction") for the purpose of the acquisition of a portfolio of commercial real estate assets composed of three buildings located in France and one building located in Germany (the "Asterisk Portfolio"), by CANCORPGERMANY1 and CANCORPEUROPE, private limited companies registered in Luxembourg, both acting on behalf of the REIT.

Wel 6 is a subsidiary of EURO ELYSEES 2 which is a subsidiary of Inovalis S.A (referred to as the "Management company" or "Inovalis"), a private company specializing in investment fund management in real estate created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registred by the Autorité des Marchés Financiers in France (the "AMF") in March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

These interim financial statements of Wel 6 were authorized for issue by the legal representative (the "Gérant") on March 28, 2013.

Nature of Business

The objective of Wel 6 is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

WEL 6 holds rights through a finance lease contract on German commercial property located at Hans-Böckler-Allee 11, Hanover, Germany, referred to as the "Hanover property" afterwards. The sale to Cancorpgermany1 of the real estate investment (including the transfer of the lease contracts with the tenant of such property) was duly authorized by a resolution of the shareholder on April 23, 2012 (refer to Note 16 – Subsequent Events).

Methods used for the preparation of the interim financial statements

These interim financial statements for the three month periods ended 30 September, 2012 and the nine month periods ended 30 September, 2012 have been prepared in accordance with IAS 34, "Interim financial reporting". These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, 2010 and 2009 which have been prepared in accordance with IFRS.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new Standards, amendments and Interpretations applicable from January 1, 2012 mentioned below. Those new Standards, amendments and Interpretations have no material impact on WEL 6's interim financial statements at September 30, 2012:

- Amendment to IFRS 7, "Financial instruments: Disclosures", on transfer of financial assets
- Amendment to IAS 12, "Income taxes", on deferred tax
- Amendment to IFRS 1, "Severe hyper-inflation and removal of fixed dates for first-time adopters"

WEL 6 has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning at 1 January 2012:

- IAS 1 Amended "Presentation of Items of other comprehensive Income"
- IAS 19 Amended "Employee Benefits"
- IAS 27 Revised "Separate Financial Statements"
- IAS 28 Revised "Investments in Associates and Joint Ventures"
- IAS 32 Amended, "Financial instruments: Presentation", on asset and liability offsetting
- IFRS 1 Amended, "Government loans"
- IFRS 7 Amended, "Financial instruments: Disclosures", on asset and liabilty offsetting
- IFRS 9 "Financial Instruments"
- IFRS 10 "Consolidated Financial Statements"

- IFRS 11 “Joint Arrangements”
- IFRS 12 “Disclosure of Interests in Other Entities”
- IFRS 13 “Fair Value Measurement”
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”.

WEL 6 intends to adopt those standards when they become effective. Wel 6 has not yet assessed the potential impacts of those new Standards and Amendments on its financial statements in the period of initial application.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Due to the nature of its business, WEL 6 revenue is not subject to any seasonality. Revenues and operating profits are evenly spread over the year.

Judgments and Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying WEL 6’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2011.

Note 2 – Revenue

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Income statement	**2012**	**2011**	**2012**	**2011**
Rental income	1,013	1,014	338	338
Service charge income	45	39	14	16
Total revenue	**1,057**	**1,052**	**351**	**354**

Wel 6 has entered into a new operating finance lease on its property portfolio in 2011. The commercial property lease has a lease term of 15 years and includes a clause to enable periodic upward revision of the rental charge according to prevailing market conditions. The lease contains a break-option before the end of the lease term.

Note 3 – Finance income and costs

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance income	**2012**	**2011**	**2012**	**2011**
Finance income	1	—	1	—
Net change in fair value of financial instruments at fair value through profit or loss	36	—	11	—
Other interest	—	—	—	—
Total finance income	**37**	**—**	**12**	**—**

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Finance costs	**2012**	**2011**	**2012**	**2011**
Interest on interest-bearing loans and borrowings	(81)	(112)	(31)	(45)
Finance lease – interest	(716)	(713)	(240)	(240)
Finance cost – net	**(796)**	**(825)**	**(271)**	**(285)**
Net change in fair value of financial instruments at fair value through profit or loss	—	(11)	—	(415)
Other financial costs	(26)	(44)	5	6
Total finance costs	**(823)**	**(880)**	**(266)**	**(693)**

Note 4 – Segment information

The property included in these financial statements is located in Germany and is composed of office assets. As a consequence of the generic nature of the property and the single location, the management believes that it is appropriate to classify all operations of WEL 6 under one operating segment.

Revenue derived from tenant that represents more than 10% of the WEL 6's revenues amounts to € 1,013 thousand, € 1,014 thousand, € 338 thousand and € 338 thousand, for the nine months ended September 30, 2012, the nine months ended September 30, 2011, the three months ended September 30, 2012 and the three months ended September 30, 2011, respectively.

Note 5 – Taxation

The major components of income tax expense for the periods presented:

(in thousands of Euros)	For the nine-month periods ended September 30,		For the three-month periods ended September 30,	
Income tax	**2012**	**2011**	**2012**	**2011**
Current tax	—	—	—	—
Deferred tax	—	—	—	—
Income tax expense reported in the income statement	**—**	**—**	**—**	**—**

	For the nine-month periods ended September 30,	
	2012	**2011**
Profit before tax	**703**	**(1,175)**
Tax calculated at tax rate applicable to group profits (15.825%)	(111)	186
Tax losses for which no deferred income tax asset was recognised	—	(186)
Deferred tax assets not previously recognized	111	—
Total tax expense reported in the income statement	**—**	**—**

	Interim balance sheets		Interim income statement	
	For the nine-month periods ended September 30,		For the nine-month periods ended September 30,	
(in thousands of Euros)	**2012**	**2011**	**2012**	**2011**
Deferred tax liabilities				
Revaluations of investment property to fair value	(5)	(108)	(102)	182
Restatement of lease	166	127	(29)	(29)
Paid and amortisation of capitalised letting fees	35	39	3	(39)
	196	**59**		
Deferred tax assets				
Valuation at fair value of the VAT liability	38	86	(36)	(33)
Revaluations of financial instrument to fair value	247	250	(6)	2
Limitation of deferred tax assets	(108)	(302)	174	(79)
Other deferred tax assets	18	25	(4)	(3)
	196	**59**		
Deferred income tax expense			**—**	**—**
Deferred tax assets / (liabilities) net	**—**	**—**		
Reflected in the balance sheet as follows :				
– Deferred tax assets	—	—		
– Deferred tax liabilities	—	—		
Deferred tax assets / (liabilities) net	**—**	**—**		

Wel 6 did not recognize deferred income tax asset in respect of the losses amounting to € 2,944 thousand for the nine month period ended September 30, 2012 (for the nine month period ended September 30, 2011: € 2,472 thousand) since the realization of the related tax benefit through future taxable profits is not probable.

Wel 6 is member of the tax group set up by Inovalis under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and Inovalis, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to September 30, 2012.

Note 6 – Investment property

(in thousands of Euros) **Investment property**	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
At the beginning of the period	**19,821**	**20,728**	**20,728**
Additions	—	—	—
Disposals	—	—	—
Capitalised letting fees	(20)	241	248
Rent free period	—	—	—
Fair value adjustment	644	(1,148)	(1,153)
At the end of the period	**20,445**	**19,821**	**19,823**

On March 5, 2012, Wel 6 signed a Memorandum of Understanding that organized the potential sale of the property. On April 6, 2012, a resolution of the sole shareholder of Wel 6 authorized the sale of the Hanover property held under the lease contract.

As at September 30, 2012 fair value of the investment property has been determined based on the Transaction's price negotiated between the parties (refer to Note 16 – Subsequent events).

As at December 31, 2011 and September 30, 2011, the fair value of investment property has been determined on a market value basis in accordance with International Valuation Standards, as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. In arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

The valuations were actually performed at historical dates by leading independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued.

Aggregate value of property held under lease agreements amounts to € 20,100 thousand and € 20,100 thousand as at December 31, 2011 and September 30, 2011 respectively before deduction of German real estate transfer tax on purchase option.

Future lease payments are presented in Note 11 – Finance lease liabilities.

Note 7 – Trade and other receivables

(in thousands of Euros) **Trade and other receivables**	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
Trade receivables	55	48	22
Provision for impairment of receivables	—	—	—
Trade receivables	**55**	**48**	**22**
Receivables from related parties	127	5	26
Other receivables	98	99	100
Prepaid expenses	—	—	—
Other receivables	**225**	**104**	**126**
Total trade and other receivables	**280**	**152**	**148**

The share of trade and other receivables with related parties is disclosed in Note 13 – Transactions with related parties. Rent and service charge receivables are non-interest bearing.

Note 8 – Cash and cash equivalents

(in thousands of Euros) **Cash and cash equivalents**	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
Cash at bank and on hand	108	249	222
Total	**108**	**249**	**222**

Note 9 – Loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Non current	
€ 4,252,000 subordinated loan	0%	28/01/2013	—	—	—
€ 680,000 subordinated loan	0%	24/07/2015	—	—	—
Total loans and borrowings			**—**	**—**	**—**
€ 16,554,000 finance lease liabilities	Euribor 3M+82BP	01/04/2023	16,424	16,554	16,554
Total finance lease liabilities			16,424	16,554	16,554
WEL 6 – Building "Hanover"			**16,424**	**16,554**	**16,554**

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
				Current	
€ 4,252,000 subordinated loan	0%	28/01/2013	4,655	4,591	4,559
€ 680,000 subordinated loan	0%	24/07/2015	615	615	614
Total loans and borrowings			5,270	5,207	5,173
€ 16,554,000 finance lease liabilities	Euribor 3M+82BP	01/04/2023	130	—	—
Total finance lease liabilities			130	—	—
WEL 6 – Building "Hanover"			**5,401**	**5,207**	**5,173**

Subordinated loans have been subscribed by Wel 6's ultimate shareholder (Inovalis) and AUDI SARADAR, an unrelated bank, in its capacity as lender. AUDI SARADAR agreed on July 7, 2010 and April 18, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%). Inovalis concurrently agreed on July 7, 2010 and November 6, 2012 to reduce interest rates of the subordinated loans from 2% in 2009 to 1% in 2010 and 2011 to nil starting January 1, 2012 (the initial interest rate applied in 2008 amounted to 8%).

Wel 6 did not pay its pending coupons on the subordinated loans for years ended December 31, 2011 and 2010 and for the nine month period ended September 30, 2012 and partially paid them for year ended December 31, 2009. Due to the default of payment of the pending coupons, the investors could have asked for immediate reimbursement of the subordinated loans (dates of the waivers obtained by Wel 6 are presented in Note 13 – Transactions with related parties) and consequently the subordinated loans have been presented as current whatever the contractual due date.

Floating rates of finance lease liabilities have been hedged by derivatives instruments (refer to Note 14 – Derivative financial instruments).

Note 10 – Trade and other payables

(in thousands of Euros) **Trade payables**	As at September 30, 2012	As at December 31, 2011	As at September 30, 2011
Trade payables	134	83	100
Payables to related parties	575	588	594
Trade payables	**709**	**670**	**694**
Other payables to related parties	93	14	14
VAT payable	243	472	549
Other liabilities	26	33	13
Other payables	**361**	**519**	**576**
Total trade and other payables	**1,070**	**1,189**	**1,269**

The share of trade and other payables with related parties is disclosed in Note 13 – Transactions with related parties. Trade payables are non-interest bearing.

Note 11 – Finance lease liabilities

Wel 6 acquired a leasehold property that it classifies as investment property (see Note 6 – Investment property). The lease is accounted for as a finance lease. In this lease:

- The lease term is 15 years (starting July 1, 2008) ;
- The lessee has the option to purchase the asset at the end of the lease and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- At the inception of the lease, Wel 6 as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

	As at September 30, 2012		As at December 31, 2011		As at September 30, 2011	
(in thousands of Euros)	**Present value**	**Minimum lease payments**	**Present value**	**Minimum lease payments**	**Present value**	**Minimum lease payments**
Within 1 year	130	1,084	—	956	—	956
After 1 year, but not more than 5 years	2,562	6,089	2,138	5,765	1,962	5,618
More than 5 years	13,862	17,635	14,416	18,802	14,592	19,190
	16,554	**24,808**	**16,554**	**25,523**	**16,554**	**25,763**
Less : future interest costs		(8,253)		(8,969)		(9,209)
	16,554	**16,554**	**16,554**	**16,554**	**16,554**	**16,554**
Of which is non current	16,424		16,554		16,554	
Of which is current	130		—		—	
	16,554		**16,554**		**16,554**	

Terms of loans and borrowings related to these finance leases is presented in Note 9 – Loans and borrowings and finance lease liabilities.

Note 12 – Financial risk management objectives and policies

Wel 6 is exposed to market risk, real estate risk, credit risk and liquidity risk. The General Manager of Wel 6 uses the services of Inovalis for financial risk management.

The General Manager and the Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advise on financial risks and the appropriate financial risk governance framework for Wel 6. The debt management department provides assurance to Wel 6's senior management that Wel 6's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Wel 6 policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Manager of the Management Company has reviewed and agreed to policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by Wel 6 that are affected by market risk are principally the derivative financial instruments.

Wel 6 is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Wel 6's exposure to the risk of changes in market interest rates relates primarily to the Wel 6's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the debt management department enters into interest rate swaps and options, in which the debt management department agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Occasionally, the debt management department also enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

Sensitivity analysis

The analysis below shows the impacts on profit before taxes and equity of changes in fair value of derivative held by Wel 6 due to reasonably possible movements in interests rates (with all other variables held constant).

(in thousands of Euros)	Increase / (decrease) in basis points	Effect on profit before taxes and equity
As at September 30, 2012		
Euribor	+25	(104)
Euribor	-25	108
As at December 31, 2011		
Euribor	+25	(129)
Euribor	-25	134
As at September 30, 2012		
Euribor	+25	(137)
Euribor	-25	141

Real estate risk

Wel 6 has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk"). To reduce this risk, Wel 6 reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Wel 6 is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of incorporation
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the debt management department of Wel 6 in accordance with Wel 6 policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

Liquidity risks inherent to the financial structure of the business of Wel 6 are mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

Wel 6's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Wel 6's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Manager. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the fund's operation.

The table below summarizes the maturity profile of Wel 6's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros) **As at September 30, 2012**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Loans and borrowings	—	5,270	—	—	—	5,270
Finance leases	—	—	130	2,562	13,862	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,563	—	1,563
Trade and other payables	—	1,070	—	—	—	1,070
	—	**6,340**	**130**	**4,125**	**13,862**	**24,458**

(in thousands of Euros) **As at December 31, 2011**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Loans and borrowings	—	5,207	—	—	—	5,207
Finance leases	—	—	—	2,138	14,416	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,600	—	1,600
Trade and other payables	—	1,189	—	—	—	1,189
	—	**6,396**	**—**	**3,738**	**14,416**	**24,550**

(in thousands of Euros) **As at September 30, 2011**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Loans and borrowings	—	5,173	—	—	—	5,173
Finance leases	—	—	—	1,962	14,592	16,554
Tenant deposits	—	—	—	—	—	—
Derivative financial instruments	—	—	—	1,578	—	1,578
Trade and other payables	—	1,269	—	—	—	1,269
	—	**6,443**	**—**	**3,540**	**14,592**	**24,575**

Liquidity management

These interim financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the business of Wel 6 is mainly managed through quarterly updates of short term cash flow forecasts (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year Business Plan.

At the beginning of 2012, Wel 6 renegotiated with its ultimate shareholder (Inovalis) and lender (AUDI SARADAR) to obtain more flexibility on liquidity. Inovalis and AUDI SARADAR first agreed to sign comfort letters on March 8, 2012 and March 15, 2012 to confirm that they will not ask for the payment of the subordinated loans and the pending coupons during 2012. Inovalis concurrently waived the payments of its management fees (refer to Note 13 – Transactions with related parties) due by Wel 6 until December 31, 2012. Inovalis Assets Management ("IAM") also waived its rights on the payments of the outstanding management fees due by Wel 6 until Wel 6 gains a profit from the sale of the managed property.

Inovalis and AUDI SARADAR agreed on November 6, 2012 and April 18 2012, respectively, to reduce interest rates of the subordinated loans to nil starting January 1, 2012.

Comfort letters to support the business model of Wel 6 until the end of 2013 have been signed as described in Note 16 – Subsequent Events.

Fair value of financial instruments

Below is a comparison by class of the carrying amounts and fair value of WEL 6's financial instruments that are carried in the interim financial statements.

(in thousands of Euros)	Carrying amount			Fair value		
	As at September 30, 2012	**As at December 31, 2011**	**As at September 30, 2011**	**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
Financial assets						
Trade and other receivables	280	152	148	280	152	148
Cash and short-term deposits	108	249	222	108	249	222
	388	**401**	**370**	**388**	**401**	**370**
Financial liabilities						
Interest-bearing loans and borrowings	5,270	5,207	5,173	5,270	5,207	5,173
Finance leases	16,554	16,554	16,554	14,128	14,942	14,999
Derivative financial instruments	1,563	1,600	1,578	1,563	1,600	1,578
Trade and other payables	1,070	1,189	1,269	1,070	1,189	1,269
	24,458	**24,550**	**24,575**	**22,032**	**22,938**	**23,020**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair value of the subordinated loans subscribed by the ultimate shareholder (Inovalis) and AUDI SARADAR, an unrelated bank, in their capacity as lenders is considered to be their nominal values.
- The fair values of the derivative interest rate swap and options contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The valuation method for options is the Black & Scholes method.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy* :

(in thousands of Euros)

As at September 30, 2012	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Derivatives (liabilities)	—	1,563	—	1,563
	—	**1,563**	**—**	**1,563**

As at December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Derivatives (liabilities)	—	1,600	—	1,600
	—	**1,600**	**—**	**1,600**

As at September 30, 2011	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Derivatives (liabilities)	—	1,578	—	1,578
	—	**1,578**	**—**	**1,578**

* Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data
- Level 3 – use of a model with inputs that are not based on observable market data

Note 13 – Transactions with related parties

Wel 6's immediate parent company is "EURO ELYSEES 2", which owns 100% of Wel 6's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to Euro Elysées 2	Amount due to Inovalis Asset Management	Amount due to Wel 1	Amount due to Wel 3	Amount due to Podes 3
September 30, 2012							
Fees[i]	(120)	(33)	—	(87)	—	—	—
Interest	(727)	—	—	(11)	—	—	(716)
Intercompany account (assets)	127	—	66	—	61	—	—
Intercompany account (liabilities)	(93)	—	(9)	—	(83)	—	—
Trade payable	(575)	(178)	—	(300)	—	—	(96)
Interests-bearing loans and borrowings	(615)	(615)	—	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	—	(16,554)
December 31, 2011							
Fees[i]	(170)	(46)	—	(124)	—	—	—
Interest	(960)	(6)	(1)	—	—	—	(953)
Intercompany account (assets)	—	—	—	—	—	—	—
Intercompany account (liabilities)	(14)	—	(14)	—	—	—	—
Trade payable	(588)	(167)	—	(292)	—	—	(129)
Interests-bearing loans and borrowings	(615)	(615)	—	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	—	(16,554)
September 30, 2011							
Fees[i]	(120)	(33)	—	(87)	—	—	—
Interest	(718)	(4)	(1)	—	—	—	(713)
Intercompany account (assets)	26	—	—	—	5	20	—
Intercompany account (liabilities)	(14)	—	(14)	—	—	—	—
Trade payable	(594)	(130)	—	(282)	—	—	(182)
Interests-bearing loans and borrowings	(614)	(614)	—	—	—	—	—
Finance lease liabilities	(16,554)	—	—	—	—	—	(16,554)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort and waivers granted by its ultimate shareholder to Wel 6 are described in Note 12 – Financial risk management objectives and policies.
- The financial terms and conditions of the financing arrangements set up are described in Note 9 – Loans and borrowings and finance lease liabilities.
- The financial terms and conditions of the finance lease arrangement with PODES 3 are described in Note 9 – Loans and borrowings and finance lease liabilities and Note 11 – Finance lease liabilities (PODES 3 is a subsidiary of Inovalis and the lessor of the investment property hold by WEL 6 under finance lease).

Comfort letters were signed to confirm that Inovalis (and AUDI SARADAR concurrently) will not ask for the payment of the subordinated loans and the pending coupons until the end of December 2013. The table below summarizes for each subordinated loan the date of signing of the comfort letter, years covered and the interest rates charged:

(in thousands of Euros)	Lender	Effective interest rate		
As at December 31,		**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
€ 4,252,000 subordinated loan	AUDI SARADAR	0%	1%	1%
Waivers and comfort letters				
Date of signature and year covered		March 15, 2012	May 20, 2011	May 20, 2011
As at December 31,		**As at September 30, 2012**	**As at December 31, 2011**	**As at September 30, 2011**
€ 680,000 subordinated loan	Inovalis	0%	1%	1%
Waivers and comfort letters				
Date of signature and year covered		March 8, 2012	April 29, 2011	April 29, 2011

Terms and conditions of transactions with related parties

Outstanding balances at the end of the period are unsecured and settlements occur in cash. Wel 6 did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Prior to the closing of the offering, Wel 6 (subsidiary of Inovalis) and CANCORPGERMANY1 (subsidiary of Inovalis) will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio.

(i)Fees

Fees paid to Inovalis and Inovalis Assets Management ("IAM", a subsidiary of Inovalis) consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.15% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in it capacity as strategic counsel. IAM is entitled to an annual remuneration calculated as 0.05% of the value of the managed property (value at the date of inception of the agreement).

Strategic fees are included in "Administration expenses" in the interim income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim balance sheets. Strategic fee compensate for services which consist of preparing and updating annual budget and business plan to investors, making the settlements included in the annual budget and business plan and contracting with third parties.

Property management fees are included in "Other property operating expense" in the interim income statement and related payables and receivables are recorded in "Trade and other payables" and in "Trade and other receivables" in the interim balance sheets.

Note 14 – Derivative financial instruments

WEL 6 has entered into an interest rate swap and options with notional amounts of € 16,554 thousand, € 16,554 thousand, and € 16,554 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively. The conditions are described in the table below:

Beginning of the period	End of the period	Leg 1	Leg 2
01/04/2008	30/06/2013	Fixed leg 4.86%	Variable leg EURIBOR 3M
30/06/2013	30/06/2015	Collar 3.5% < EURIBOR 3M < 5%	

The derivative is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (Note 9 – Loans and borrowings and finance lease liabilities).

The aggregate fair value of the interest rate swap and options at the end of the reporting period was a liability of € 1,563 thousand, € 1,600 thousand , and € 1,578 thousand as at September 30, 2012, December 31, 2011 and September 30, 2011 respectively.

Note 15 – Capital management

The Wel 6's objectives when managing capital are to safeguard Wel 6's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 16 – Subsequent Events

The ultimate shareholder (Inovalis), in its capacity as lender, agreed on November 6, 2012 to reduce interest rates of the subordinated loans to nil starting January 1, 2012 (the lender AUDI SARADAR similarly agreed earlier in 2012).

As of December 17, 2012, ultimate shareholder (Inovalis) and lender (AUDI SARADAR) have provided comfort letters in order to support the business model of Wel 6 until the end of December 2013.

On March 5, 2012 Wel 6 signed a "Memorandum of Understanding" that organized the potential sale of the property. On April 6, 2012 a resolution of the sole shareholder of Wel 6 authorized the sale of the Hanover property held under lease contract. In connection with this Memorandum of Understanding, prior to the closing of the offering, Wel 6 and CANCORPGERMANY1, will enter into a Letter of Intent for the transfer of the lease contract and tenants portfolio. The sale of the lease contract will also be authorized by the lessor prior to the closing of the offering (subject to specific engagements to be taken by the vendors and the acquirer). The sale's conditions are as follows: the lease, the related swap and the tenant portfolio are to be transferred based on the bargain price of the investment property less the carrying value of the finance lease liability on the actual date of transfer.

APPENDIX A
MANDATE FOR THE BOARD OF TRUSTEES

Pursuant to the amended and restated declaration of trust for Inovalis Real Estate Investment Trust (the "**REIT**") dated February 8, 2013, (the "Declaration of Trust"), the REIT may have a board of trustees (the "**Board of Trustees**") consisting of between five and twelve trustees at any given time, although a majority of the trustees must be resident Canadians. The trustees are elected by the holders of the units of the REIT and the special voting units of the REIT (the "**Unitholders**"). Although trustees may be elected by the Unitholders to bring special expertise or a point of view to Board of Trustees' deliberations, they are not chosen to represent a particular constituency. The best interests of the REIT must be paramount at all times.

DUTIES OF TRUSTEES

The Board of Trustees is responsible for the stewardship of the activities and affairs of the REIT. The Board of Trustees seeks to discharge such responsibility by reviewing, discussing and approving the REIT's strategic planning and organizational structure and supervising management to oversee that the strategic planning and organizational structure enhance and preserve the business of the REIT and the underlying value of the REIT.

The Board of Trustees discharges its responsibility for overseeing the management of the REIT's activities and affairs by delegating to the REIT's senior officers the responsibility for day-to-day activities of the REIT. The Board of Trustees discharges its responsibilities both directly and through its committees, the Audit Committee, the Compensation and Governance Committee and the Investment Committee. In addition to these regular committees, the Board of Trustees may appoint ad hoc committees periodically to address certain issues of a more short-term nature.

The Board of Trustees' primary roles are overseeing performance and providing quality, depth and continuity of management to meet the REIT's strategic objectives.

The Board of Trustees is explicitly responsible for the stewardship of the REIT. Other principal duties include, but are not limited to the following categories:

Board of Trustees Organization

1. The composition and organization of the Board of Trustees, including: the number, qualifications and remuneration of trustees; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are required by applicable law and the Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements.
2. A majority of the Board of Trustees must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as replaced or amended from time to time (including any successor rule or policy thereto).
3. A majority of the trustees must be persons who are resident in Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder, as replaced or amended from time to time.
4. The Board of Trustees will respond to recommendations received from the Compensation and Governance Committee, but retains responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the chair of the Board of Trustees, candidates nominated for election to the Board of Trustees, committee and committee chair appointments, committee charters and director compensation.
5. The Board of Trustees may establish committees, where required or prudent, and define their mandate. A majority of the trustees constituting each committee must be persons who are resident in Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder, as replaced or amended from time to time. The Board of Trustees may delegate to its committees matters it is responsible for, including the approval of compensation of the Board of Trustees and management, the conduct of performance evaluations and oversight of internal controls and management information systems, but the Board of Trustees retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

Meetings

6. The Board of Trustees will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any trustee may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board of Trustees meeting raise subjects that are not on the agenda for that meeting.
7. The independent members of the Board of Trustees shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent trustees and members of management are not present.
8. Each trustee is expected to attend all meetings of the Board of Trustees and any committee of which he or she is a member. Trustees will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.
9. All meetings of the Board of Trustees must take place in Canada. One or more members of the Board of Trustees may participate in such a meeting by teleconference from outside of Canada, so long as a majority of those Trustees attending the meeting are physically present in Canada.

Strategic Planning

10. The Board of Trustees has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the REIT and its objectives and goals.
11. The Board of Trustees is responsible for adopting a strategic planning process and participating in the development of, and reviewing and approving, the business, financial and strategic plans, on at least an annual basis, by which it is proposed that the REIT may reach those goals.
12. The Board of Trustees is responsible for supervising the activities, managing the investments and affairs and approving major decisions of the REIT.
13. The Board of Trustees is responsible for providing input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.
14. The Board of Trustees will consider alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for Unitholders.
15. The Board of Trustees is responsible for reviewing the debt strategy of the REIT.

Monitoring of Financial Performance and Other Financial Reporting Matters

16. The Board of Trustees is responsible for enhancing congruence between Unitholder expectations, REIT plans and management performance.
17. The Board of Trustees is responsible for:
    (a) adopting processes for monitoring the REIT's progress toward its strategic and other goals, and to revise and alter its direction to management in light of changing circumstances affecting the REIT;
    (b) reviewing and approving the REIT's financial objectives; and
    (c) taking action when REIT performance falls short of its objectives, goals or other special circumstances warrant.
18. The Board of Trustees is responsible for approving the audited financial statements, interim financial statements and the notes and management's discussion and analysis accompanying such financial statements.
19. The Board of Trustees is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board of Trustees is required to approve under the Declaration of Trust and other governing documents, including the payment of distributions, purchase and redemptions of securities, acquisitions and dispositions.

Risk Management

20. The Board of Trustees is responsible for overseeing the identification of the principal risks of the REIT's business and ensure that appropriate systems have been implemented to effectively monitor and manage such risks with a view to the long-term viability of the REIT and achieving a proper balance between the risks incurred and the potential return to the REIT's Unitholders.

Policies and Procedures

21. The Board of Trustees is responsible for:

    (a) approving and assessing compliance with all significant policies and procedures by which the REIT is operated;

    (b) ensuring the integrity of the REIT's internal control and management information systems; and

    (c) approving policies and procedures designed to ensure that the REIT operates at all times within applicable laws and regulations, audit and accounting policies and in accordance with ethical and moral standards.

22. The Board of Trustees shall enforce its policy respecting confidential treatment of the REIT's proprietary information and the confidentiality of Board of Trustees' deliberations.

Communications and Reporting

23. The Board of Trustees has approved and will revise from time to time as circumstances warrant a disclosure policy to address communications with Unitholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities.

24. The Board of Trustees is responsible for:

    (a) overseeing the accurate reporting of the financial performance of the REIT to Unitholders, other securityholders and regulators on a timely and regular basis;

    (b) overseeing that the financial results are reported fairly and in accordance with International Financial Reporting Standards and related legal disclosure requirements;

    (c) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the REIT;

    (d) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, including reporting annually to Unitholders on its stewardship for the preceding year;

    (e) overseeing the REIT's implementation of systems which accommodate feedback from stakeholders;

    (f) ensuring the integrity and adequacy of internal controls and management information systems;

    (g) maintaining records and providing reports to Unitholders;

    (h) determining the amount and timing of distributions to Unitholders; and

    (i) acting for, voting on behalf of the REIT and representing the REIT as a holder of securities of the REIT's subsidiaries and investments.

APPENDIX B
AUDIT COMMITTEE CHARTER (THE "CHARTER")

PURPOSE

The overall purpose of the Audit Committee (the "**Committee**") of the REIT is to oversee the accounting and financial reporting practices of the REIT, monitor the REIT's system of internal financial controls, evaluate and report on the integrity of the financial statements of the REIT, enhance the independence of the REIT's external auditors and exercise the responsibilities and duties set out in this Charter and any other duties delegated thereto by the Board of Trustees.

COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the board of trustees of the REIT (the "**Board of Trustees**"), each of whom shall be, in the determination of the Board of Trustees, "independent" as that term is defined by Multilateral Instrument 52-110, as may be replaced or amended from time to time (including any successor rule or policy thereto), and the majority of whom shall be resident Canadians.
2. The members of the Committee shall be appointed annually by the Board of Trustees. Each member of the Committee shall serve at the pleasure of the Board of Trustees until the member resigns, is removed, or ceases to be a member of the Board of Trustees. Unless a Chair is elected by the Board of Trustees, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
3. At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT's financial statements.
4. The Board of Trustees, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board of Trustees may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the REIT shall cease to be a member of the Committee.
5. Unless the Board of Trustees shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
6. The Committee shall have access to such officers and employees of the REIT and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers to be necessary or advisable in order to perform its duties.
7. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat.
8. Meetings of the Committee shall be conducted as follows:
   (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
   (b) the external auditors or any member of the Committee may call a meeting of the Committee;
   (c) any trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and
   (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.
9. The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

10. Compensation to members of the Committee shall be limited to trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board of Trustees and members of committees of the Board of Trustees).
11. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

MEETINGS

12. The Committee may meet as many times in the year as is necessary for it to carry out its responsibilities.
13. All meetings of the Committee must take place in Canada. One member of the Committee may participate in such a meeting by teleconference so long as a majority of those members attending the meeting are physically present in Canada.
14. The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.
15. No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members of the Committee comprising the quorum shall be resident Canadians.
16. The Chair, any member of the Committee, the external auditors, the Chairman of the Board of Trustees, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the REIT's Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.
17. The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the REIT, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.
18. The Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisers without consulting or obtaining the approval of the Board of Trustees or any REIT officer. The REIT shall provide appropriate funding, as determined by the Committee, for the services of these advisors.
19. The Committee shall have unrestricted access to the REIT's management and employees and the books and records of the REIT

DUTIES

20. The overall duties of the Committee shall be to:
    (a) assist the Board of Trustees in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;
    (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;
    (c) oversee the co-ordination of the activities of the external auditors;
    (d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;
    (e) monitor the credibility and objectivity of the REIT's financial reports;
    (f) report regularly to the Board of Trustees on the fulfillment of the Committee's duties;
    (g) assist the Board of Trustees in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and
    (h) assist the Board of Trustees in the discharge of its duties relating to risk assessment and risk management.

21. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:

    (a) recommending to the Board of Trustees a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;

    (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations or any successor legislation* ("**NI 51-102**"), and the planned steps for an orderly transition;

    (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

    (d) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

    (e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

    (f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

22. The duties of the Committee as they relate to audits and financial reporting shall be to:

    (a) review the audit plan with the external auditor and management;

    (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;

    (c) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

    (d) review the scope and quality of the audit work performed;

    (e) review the adequacy of the REIT's financial and auditing personnel;

    (f) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

    (g) review the internal resources used;

    (h) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;

    (i) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;

    (j) review and approve the REIT's annual consolidated audited financial statements and those of its subsidiaries, the auditor's report thereon and the related management's discussion and analysis of the REIT's financial condition and results from operations ("**MD&A**"), and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

    (k) review and approve the REIT's interim unaudited financial statements and the related MD&A and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

    (l) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and

    (m) review the terms of reference for an internal auditor or internal audit function.

23. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

    (a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;

    (b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;

    (c) review the status of material contingent liabilities as reported to the Committee by management;

    (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;

    (e) review any errors or omissions in the current or prior year's financial statements;

    (f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms, management's discussion and analysis and financial guidance provided to analysts, rating agencies or otherwise publicly disseminated; and

    (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

24. The other duties of the Committee shall include:

    (a) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

    (b) formulating clear hiring policies for employees or former employees of the REIT's external auditors;

    (c) reviewing annual operating and capital budgets;

    (d) reviewing the funding and administration of the REIT's compensation and pension plans;

    (e) reviewing and reporting to the Board of Trustees on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

    (f) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;

    (g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the REIT of concerns regarding such; and

    (h) any other questions or matters referred to it by the Board of Trustees.

CERTIFICATE OF THE REIT AND INOVALIS

Dated: March 28, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

INOVALIS REAL ESTATE INVESTMENT TRUST

(Signed) David Giraud
Chief Executive Officer

(Signed) Khalil Hankach
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) Daniel Argiros
Trustee

(Signed) Michael Zakuta
Trustee

INOVALIS S.A.
(as Promoter)

(Signed) Stéphane Amine
Chairman

CERTIFICATE OF THE UNDERWRITERS

Dated: March 28, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

DESJARDINS SECURITIES INC.

By: (signed) Mark Edwards

GMP SECURITIES L.P.

By: (signed) Andrew Kiguel

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (signed) John Bartkiw

LAURENTIAN BANK SECURITIES INC.

By: (signed) Kevin Hooke

UBS SECURITIES CANADA INC.

By: (signed) E.T.N. Larkin

MANULIFE SECURITIES INCORPORATED

By: (signed) David MacLeod

BURGEONVEST BICK SECURITIES LIMITED

By: (signed) Vilma Jones

INDUSTRIAL ALLIANCE SECURITIES INC.

By: (signed) Frédéric Paquette

MACKIE RESEARCH CAPITAL CORPORATION

By: (signed) David Keating

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REAL ESTATE INVESTMENT TRUST

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