PRIMARIS RETAIL REIT Announces Record Second Quarter Financial Results

Toronto (Ontario) August 7, 2012 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report record second quarter operating results. These results have been prepared in accordance with International Financial Reporting Standards ("IFRS").

President and CEO, John Morrison, commented "We are very pleased with our reported results which have exceeded the expectations we had last fall. This is the result of strong leasing fundamentals, a reduction in the expected number of store closings, a deferral of certain vacancies until later in 2012 than previously expected, and the receipt of above normal lease termination income. We expect the positive fundamentals will continue for the balance of the year. During the second quarter and through certain third quarter activities to date, we have significantly strengthened the statement of financial position, preparing Primaris for future investment activity and noticeably improving our credit metrics."

Highlights

Funds from Operations (FFO)

- Funds from operations for the second quarter ended June 30, 2012 were $33.4 million, up $11.6 million from the $21.8 million reported for the second quarter of 2011. On a per unit diluted basis, funds from operations for the second quarter of 2012 were $0.376, up $0.076 from the $0.300 reported for the second quarter of 2011. The second quarter of 2011 was affected by a non-recurring charge for convertible debentures issuance costs of $3.0 million or $0.040 per unit diluted. After allowing for this charge, second quarter FFO grew $0.036 or 10.8% over the comparable amount in 2011.

- FFO is not a term defined under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other Trusts. A reconciliation of net income to FFO is included.

Net Operating Income (NOI)

- NOI for the second quarter ended June 30, 2012 was $57.7 million, an increase of $10.2 million from the $47.5 million recorded in the second quarter of 2011.

- NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. A calculation of NOI is included.

Same Properties – Net Operating Income

- NOI for the second quarter ended June 30, 2012, for the properties held continually for the past twenty-four months, increased 4.7% from the comparative three month period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be 3.1% higher than the comparative period.

Net Income

- Net income for the second quarter ended June 30, 2012 was $39.2 million, a decrease of $2.0 million from the $41.2 million recorded in the second quarter of 2011. The decrease is driven by fluctuations in the recording of debt instruments at fair value.

Operations

- Primaris renewed or leased 435,241 square feet of space during the second quarter. The weighted average new rent in these leases, on a cash basis, represented a 2.3% increase over the previous rent paid (5.6% if the major tenants are excluded).

- The portfolio occupancy for 2012 is relatively stable. It was 97.4% at June 30, 2012, compared to 96.7% at March 31, 2012, and 95.7% at June 30, 2011.

- Same tenant sales per square foot, for the 18 properties owned during all of the 24 months ended May 31, 2012 was $468, the same as for the previous 12 months.

Liquidity

- At June 30, 2012, Primaris had $34.8 million of cash on hand and no amount drawn on its $100.0 million credit facility.

Financial Results

FFO for the second quarter ended June 30, 2012 were $33.4 million, up $11.6 million from the $21.8 million reported for the second quarter of 2011. On a per unit diluted basis, funds from operations for the second quarter of 2012 were $0.376, up $0.076 from the $0.300 reported for the second quarter of 2011. The second quarter of 2011 was affected by a non-recurring charge for convertible debenture issuance costs of $3.0 million or $0.040 per unit diluted. After allowing for this charge, second quarter FFO grew $0.036 or 10.8% over the comparable amount in 2011.

Net income for the second quarter ended June 30, 2012 was $39.2 million, a decrease of $2.0 million from the $41.2 million recorded in the second quarter of 2011. The decrease is driven by fluctuations in the recording of debt instruments at fair value.

The FFO distribution payout ratio for the second quarter of 2012, calculated on a diluted basis, was 81.0% as compared to a 101.4% payout ratio for the second quarter of 2011 and 79.7% for the previous quarter ended March 31, 2012. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At June 30, 2012, Primaris' total enterprise value was approximately $3.7 billion (based on the market closing price of Primaris' units on June 30, 2012 plus total debt outstanding). At June 30, 2012 Primaris had $1,621.4 million of outstanding debt, equating to a debt to total enterprise value ratio of 43.3%. Primaris' debt consisted of $1,415.6 million of fixed-rate senior debt with a weighted average interest rate of 5.4% and a weighted average term to maturity of 5.3 years, no amount drawn on the operating line of credit, $2.3 million of 6.75% fixed-rate convertible debentures, $93.5 million of 5.85% fixed-rate convertible debentures, $35.0 million of 6.30% fixed-rate convertible debentures and $75.0 million of 5.40% fixed-rate convertible debentures.

In July 2012, $13.7 million, at face value, of 6.30% series of convertible debentures was converted to 817,603 units.

On July 18, 2012 Primaris exercised its right to redeem the 5.85% series of convertible debentures. The redemption of the debentures will be effective on August 17, 2012.

Subsequent to June 30, 2012, Primaris waived conditions on a $6,950 purchase of a property adjacent to an existing shopping centre. The purchase will be funded through cash on hand, operating line, and an assumed mortgage of $1,690 with a fixed interest rate of 3.78% which matures December 1, 2014.

Primaris had a debt to total asset ratio of 43.5%. During the three months ended June 30, 2012, Primaris had an interest coverage ratio of 2.5 times as expressed by EBITDA divided by interest expense on mortgages, convertible debentures and bank indebtedness. Primaris defines EBITDA as net income increased by depreciation, finance costs, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. See below under "Non-IFRS Measures".

Operating Results

Comparison to Prior Period Financial Results (in thousands of dollars)

	Three Months Ended June 30, 2012 (unaudited)	Three Months Ended June 30, 2011 (unaudited)	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 59,385	$ 49,817	$ 9,568
Recoveries from tenants	36,132	30,415	5,717
Percent rent	609	632	(23)
Parking	1,742	1,596	146
Other income	1,013	292	721
	98,881	82,752	16,129
Expenses			
Property operating	23,901	20,188	(3,713)
Property tax	18,794	16,202	(2,592)
Ground rent	331	295	(36)
General & administrative	3,773	2,523	(1,250)
Depreciation	362	284	(78)
	47,161	39,492	(7,669)
Income from operations	$ 51,720	$ 43,260	$ 8,460
Finance income	54	73	(19)
Finance costs	(36,902)	(20,787)	(16,115)
Fair value adjustment on investment properties	24,329	18,604	5,725
Net income	**$ 39,201**	**$ 41,150**	**$ (1,949)**
Fair value adjustment on investment properties	(24,329)	(18,604)	(5,725)
Fair value adjustment on convertible debentures	9,936	(2,626)	12,562
Fair value adjustment on exchangeable units	4,075	(547)	4,622
Fair value adjustment on unit-based compensation	1,558	88	1,470
Distributions on exchangeable units	644	666	(22)
Amortization of tenant improvement allowances	2,340	1,679	661
Funds from operations [(1)]	**$ 33,425**	**$ 21,806**	**$ 11,619**
Funds from operations per unit - basic	$ 0.384	$ 0.303	$ 0.081
Funds from operations per unit - diluted	$ 0.376	$ 0.300	$ 0.076
Funds from operations - payout ratio	81.0%	101.4%	-20.4%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	87,117,445	71,854,014	15,263,431
Weighted average units outstanding - diluted	94,062,914	77,267,750	16,795,164
Units outstanding, end of period	90,197,056	82,342,138	7,854,918

(1) Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities. See below under "Non-IFRS Measures".

Funds from operations for the quarter ended June 30, 2012 were $11.6 million ($0.076 per unit diluted) greater than the comparative period.

Net Operating Income – Same Properties (in thousands of dollars)

		Three months ended June 30, 2012 (unaudited)		Three months ended June 30, 2011 (unaudited)		Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$	83,602	$	81,845	$	1,757
Less operating expenses		(35,341)		(35,754)		413
Net operating income	$	48,261	$	46,091	$	2,170

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

The same-property comparison consists of the 27 properties that were owned throughout both the current and comparative three month periods. NOI, on a same-property basis, increased $2.2 million, or 4.7%, in relation to the comparable three month period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be $1.4 million or 3.1% higher than the comparative period.

Liquidity

At June 30, 2012, Primaris had $34.8 million of cash on hand and no amount drawn on its $100.0 million credit facility. One mortgage of $21.2 million was repaid when it matured on July 1, 2012.

On June 15, 2012 Primaris entered into a hedge agreement that is scheduled to mature February 1, 2013. The hedge was completed to mitigate the risk of interest rate volatility in anticipation of $125.0 million of new debt to be placed for a 5 year term, principally to repay loans maturing during the first quarter of 2013. Primaris achieved an effective hedge on the five year Government of Canada bond yield of 1.448%, including the cost of the hedge. The credit spread on this anticipated loan is unknown as of June 30, 2012.

Tenant Sales

For the 18 reporting properties owned throughout both the twelve month periods ended May 31, 2012 and 2011, sales per square foot, on a same-tenant basis, was the same at $468 per square foot. For the same 18 properties the all tenant total sales volume has increased 0.9%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
Unaudited	**2012**	**2011**	**$**	**%**	**2012**	**2011**	**$**	**%**
Cataraqui	$ 509	$ 517	$ (8)	-1.6%	$ 85,963	$ 87,235	$ (1,272)	-1.5%
Dufferin Mall	528	515	13	2.5%	93,731	89,944	3,787	4.2%
Eglinton Square	397	398	(1)	-0.3%	31,006	28,251	2,755	9.8%
Heritage Place	300	309	(9)	-2.8%	25,423	25,764	(341)	-1.3%
Lambton Mall	324	331	(7)	-2.1%	44,817	47,970	(3,153)	-6.6%
Place d'Orleans	443	462	(19)	-4.0%	98,613	103,348	(4,735)	-4.6%
Place Du Royaume	423	422	1	0.3%	114,077	113,968	109	0.1%
Place Fleur De Lys	322	321	1	0.4%	68,495	71,184	(2,689)	-3.8%
Stone Road Mall	543	539	4	0.7%	116,270	113,662	2,608	2.3%
Aberdeen Mall	376	375	1	0.2%	48,888	48,302	586	1.2%
Cornwall Centre	557	535	22	4.0%	87,658	81,784	5,874	7.2%
Grant Park	583	573	10	1.8%	26,682	27,187	(505)	-1.9%
Midtown Plaza	621	607	14	2.4%	137,827	130,302	7,525	5.8%
Northland Village	460	465	(5)	-1.1%	42,837	44,267	(1,430)	-3.2%
Orchard Park	495	498	(3)	-0.6%	131,969	129,968	2,001	1.5%
Park Place Mall	506	501	5	1.0%	77,487	76,883	604	0.8%
Sunridge Mall	487	491	(4)	-0.7%	95,649	91,984	3,665	4.0%
Woodgrove Centre	459	473	(14)	-3.0%	91,374	94,593	(3,219)	-3.4%
	$ 468	**$ 468**	**$ (0)**	**-0.1%**	**$ 1,418,766**	**$ 1,406,596**	**$ 12,170**	**0.9%**

The same tenants' sales per square foot was virtually unchanged, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12-month period ended May 31, 2012, increased 2.1%. Primaris' sales productivity of $468 is lower than the ICSC average of $597, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Leasing Activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate is relatively stable. It was 97.4% at June 30, 2012, compared to 96.7% at March 31, 2012, and 95.7% at June 30, 2011. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

Primaris renewed or leased 435,241 square feet of space during the second quarter of 2012. Approximately 74.3% of the leased spaces during the second quarter of 2012 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 2.3% increase over the previous rent (5.6% if the major tenants are excluded).

At year end, Primaris had a weighted average term to maturity of leases of 5.4 years.

Development Activity

During 2009 and 2011, Primaris completed phases one and two of a three phase redevelopment at Lambton Mall in Sarnia, Ontario.

Work has just begun on the third phase of the Lambton Mall redevelopment. The project involves the redevelopment of the vacant anchor space (approximately 92,000 square feet), formerly occupied by Canadian Tire. Part of the existing building will be demolished and replaced with a new Galaxy Theatre building comprising approximately 32,000 square feet, an approximately 31,000 square foot Sport Chek and 1,000 square feet of commercial retail space. The plan also creates a new mall entrance next to H&M. The project includes the acquisition of the existing 5.9 acre Cineplex property located at 1450 London Road, adjacent to Lambton Mall. Upon opening of the new Galaxy Theatre at Lambton Mall, Cineplex will close its existing theatre. This phase will cost approximately $16 million, including the purchase of 1450 London Road. A spring 2013 opening of both Galaxy and Sport Chek is expected.

A multi-phased redevelopment project is well underway at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store. This project also includes the realignment and upgrade of almost 11,500 square feet of common area with new floor and ceiling finishes which has revitalized the west end of the shopping centre. A portion of the exterior of the building and the west mall entrance are also being renovated to provide a marquee entry to the new redevelopment inside. Construction activities commenced in June 2011, with relocated retail tenants opening October 2011, and an end of August 2012 opening for the flagship MLCC. The project is on budget and is expected to cost $6.5 million. This phased redevelopment has already created an additional consumer draw to the centre.

The second phase of the redevelopment at Grant Park comprises a 5,000 square foot expansion of the shopping centre, re-leasing and remerchandising of approximately 23,000 square feet of other retail area, renovation and expansion of washrooms, and upgrade of an additional 5,000 square feet of common area. Landlord pre-construction activities commenced in June 2012. Common area improvements and washroom renovations are expected to be completed by November 2012, and the expansion is expected to open in July 2013. This second phase has a $5.4 million budget.

A freestanding pad development is now complete at Place d'Orleans for a 21,000 square foot Farm Boy, an Ottawa-based specialty grocery retailer. Primaris invested $3.0 million in this project. Farm Boy will act as a driver of mid-week traffic to the mall.

Redevelopment projects will be funded through a combination of cash, draws on the operating line and mortgage refinancing.

Supplemental Information

Primaris' condensed interim consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three and six months periods ended June 30, 2012 and 2011 are available on Primaris' website at www.primarisreit.com.

Forward-Looking Information

The MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, Primaris' operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

In particular, certain statements in this document discuss Primaris' anticipated outlook of future events. These statements include, but are not limited to:

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;

(ii) reinvesting to make improvements and maintenance to existing properties, which could be impacted by the availability of labour and capital resource allocation decisions;

(iii) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Primaris' properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Primaris locations;

(iv) overall indebtedness levels, which could be impacted by the level of acquisition activity Primaris is able to achieve and future financing opportunities;

(v) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(vi) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;

(vii) the effect that any contingencies could have on Primaris' financial statements;

(viii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(ix) the development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions.

Although the forward-looking statements contained in this document are based on what management of Primaris believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include: a less robust retail environment; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable Primaris to refinance debts as they mature and the availability of purchase opportunities for growth.

Except as required by applicable law, Primaris undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-IFRS Measures

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under IFRS. Management uses these measures when comparing itself to industry data or others in the marketplace. Primaris' MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income, as defined under IFRS, for FFO and EBITDA. A reconciliation of FFO to net income, as defined by IFRS, and a calculation of NOI also appear at the end of the press release. FFO, NOI and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with IFRS and may not be comparable to measures presented by other issuers.

Conference Call

Primaris invites you to participate in the conference call that will be held on Wednesday August 8, 2012 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference call are: 416-340-8530 (within Toronto), and 1-877-240-9972 (within North America).

Audio replays of the conference call will be available immediately following the completion of the conference call, and will remain active for 24 hours, by dialling 905-694-9451 or 1-800-408-3053 and using pass code 1208535. The audio replay will also be available for download at www.primarisreit.com/q2conference.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 33 income-producing properties comprising approximately 13.7 million square feet located in Canada. As of July 31, 2012, Primaris had 91,132,528 units issued and outstanding (including exchangeable units for which units have yet to be issued).

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(In thousands of dollars)
(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Non-current assets:		
Investment properties	$ 3,637,750	$ 3,557,900
Current assets:		
Rents receivable	6,139	7,387
Other assets and receivables	31,301	25,010
Cash and cash equivalents	34,758	–
	72,198	32,397
	$ 3,709,948	$ 3,590,297
Liabilities and Equity		
Non-current liabilities:		
Mortgages payable	$ 1,249,817	$ 1,372,871
Convertible debentures	232,685	268,766
Exchangeable units	50,000	45,079
Accounts payable and other liabilities	3,089	1,205
	1,535,591	1,687,921
Current liabilities:		
Current portion of mortgages payable	159,840	53,004
Bank indebtedness	–	6,779
Accounts payable and other liabilities	51,632	61,744
Distribution payable	9,026	8,251
	220,498	129,778
	1,756,089	1,817,699
Equity	1,953,859	1,772,598
	$ 3,709,948	$ 3,590,297

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Income and Comprehensive Income
(In thousands of dollars, except per unit amounts)

	(Unaudited) Three months ended June 30, 2012	2011	(Unaudited) Six months ended June 30, 2012	2011
Revenue:				
Minimum rent	$ 59,385	$ 49,817	$ 118,408	$ 98,706
Recoveries from tenants	36,132	30,415	74,272	61,286
Percentage rent	609	632	1,174	1,048
Parking	1,742	1,596	3,435	3,075
Other income	1,013	292	2,030	586
	98,881	82,752	199,319	164,701
Expenses:				
Property operating	23,901	20,188	49,323	41,481
Property taxes	18,794	16,202	38,073	31,681
Ground rent	331	295	662	589
General and administrative	3,773	2,523	6,202	5,650
Depreciation	362	284	743	471
	47,161	39,492	95,003	79,872
Income from operations	51,720	43,260	104,316	84,829
Finance income	54	73	59	83
Finance costs	(36,902)	(20,787)	(63,114)	(56,927)
Fair value adjustment on investment properties	24,329	18,604	24,814	18,154
Income before income taxes	39,201	41,150	66,075	46,139
Other comprehensive income				
Deferred gain on cash flow hedge	35	–	35	–
Amortization of deferred net loss on cash flow hedges	56	57	113	115
Comprehensive income	$ 39,292	$ 41,207	$ 66,223	$ 46,254

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
(In thousands of dollars)

	Three months ended June 30, 2012	2011
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 39,201	$ 41,150
Adjustments for:		
Amortization of tenant improvement allowances	2,340	1,679
Amortization of tenant inducements	55	31
Amortization of straight-line rent	(588)	(328)
Value of units and options granted under unit-based compensation plan	1,931	352
Depreciation of fixtures and equipment	362	284
Net finance costs	36,848	20,714
Fair value adjustments on investment properties	(24,329)	(18,604)
	55,820	45,278
Other non-cash operating working capital	5,420	(6,531)
Leasing commissions	(231)	(104)
Tenant improvements	(3,604)	(3,488)
Cash generated from operating activities	57,405	35,155
Interest received	54	73
Net cash from operating activities	57,459	35,228
Cash flows from financing activities:		
Mortgage principal repayments	(8,245)	(6,351)
Proceeds of new mortgage financing	–	223,600
Repayment of financing	–	–
Advance (repayment) of bank indebtedness	(27,000)	10,000
Interest paid on financing	(26,017)	(19,987)
Capitalized debt placement costs	(21)	(1,877)
Cash received on exercise of options	257	161
Issuance of units	115,058	260,590
Unit issue costs	(5,256)	(11,076)
Issuance of convertible debentures	–	75,000
Convertible debenture issue costs	–	(3,029)
Distributions to Unitholders	(22,613)	(18,905)
Net cash flow from financing activities	26,163	508,126
Cash flows used in investing activities:		
Acquisitions of investment properties	(44,694)	(582,383)
Additions to buildings and building improvements	(4,159)	(2,670)
Additions to recoverable improvements	(2,314)	(1,175)
Additions to fixtures and equipment	(823)	(39)
Net cash flow used in investing activities	(51,990)	(586,267)
Increase (decrease) in cash and cash equivalents	31,632	(42,913)
Cash and cash equivalents, beginning of period	3,126	54,146
Cash and cash equivalents, end of period	$ 34,758	$ 11,233
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	7,233	6,467
Value of units issued upon exchange	–	–
Value of units issued under distribution reinvestment plan	3,875	2,327
Value of units issued under unit-based compensation plan	38	381
Deferred gain on cash flow hedge	35	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
(In thousands of dollars)

	Six months ended June 30, 2012	2011
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 66,075	$ 46,139
Adjustments for:		
Amortization of tenant improvement allowances	4,615	3,460
Amortization of tenant inducements	110	60
Amortization of straight-line rent	(949)	(727)
Value of units and options granted under unit-based compensation plan	2,936	1,724
Depreciation of fixtures and equipment	743	471
Net finance costs	63,055	56,844
Fair value adjustments on investment properties	(24,814)	(18,154)
	111,771	89,817
Other non-cash operating working capital	(14,830)	(18,891)
Leasing commissions	(457)	(150)
Tenant improvements	(6,540)	(4,046)
Cash generated from operating activities	89,944	66,730
Interest received	59	83
Net cash from operating activities	90,003	66,813
Cash flows from financing activities:		
Mortgage principal repayments	(16,381)	(12,468)
Proceeds of new mortgage financing	–	333,600
Repayment of financing	–	(37,039)
Advance (repayment) of bank indebtedness	(6,779)	–
Interest paid on financing	(44,672)	(38,597)
Capitalized debt placement costs	(295)	(2,752)
Cash received on exercise of options	829	356
Issuance of units	115,058	260,590
Unit issue costs	(5,256)	(11,076)
Issuance of convertible debentures	–	75,000
Convertible debenture issue costs	–	(3,029)
Distributions to Unitholders	(44,699)	(38,138)
Net cash flow from (used in) financing activities	(2,195)	526,447
Cash flows used in investing activities:		
Acquisitions of investment properties	(44,694)	(582,383)
Additions to buildings and building improvements	(4,256)	(4,834)
Additions to recoverable improvements	(2,739)	(1,268)
Additions to fixtures and equipment	(1,361)	(42)
Net cash flow used in investing activities	(53,050)	(588,527)
Increase in cash and cash equivalents	34,758	4,733
Cash and cash equivalents, beginning of period	–	6,500
Cash and cash equivalents, end of period	$ 34,758	$ 11,233
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	46,688	13,751
Value of units issued upon exchange	1,409	597
Value of units issued under distribution reinvestment plan	7,155	4,155
Value of units issued under unit-based compensation plan	481	384
Deferred gain on cash flow hedge	35	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Reconciliation of Net Income to Funds from Operations
(In thousands of dollars)

	(unaudited) Three Months Ended June 30, 2012	(unaudited) Three Months Ended June 30, 2011
Net income	$ 39,201	$ 41,150
Fair value adjustment on investment properties	(24,329)	(18,604)
Fair value adjustment on convertible debentures	9,936	(2,626)
Fair value adjustment on exchangeable units	4,075	(547)
Fair value adjustment on unit-based compensation	1,558	88
Distributions on exchangeable units	644	666
Amortization of tenant improvement allowances	2,340	1,679
Funds from operations	**$ 33,425**	**$ 21,806**

Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and certain fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities.

Calculation of Net Operating Income All Properties
(In thousands of dollars)

	(unaudited) Three Months Ended June 30, 2012	(unaudited) Three Months Ended June 30, 2011
Revenue	$98,881	$82,752
Add: Amortization of leasing costs	1,807	1,382
Less: Property operating expenses	(23,901)	(20,188)
Property tax expense	(18,794)	(16,202)
Ground Rent	(331)	(295)
Net operating income	**$ 57,662**	**$ 47,449**

Net Operating Income is not a defined term within IFRS. Net Operating Income may not be comparable to similar measures used by other entities.