Primaris

PRIMARIS RETAIL REIT Announces Fourth Quarter Financial Results

Toronto (Ontario) March 8, 2013 – The amended press release of Primaris Retail Real Estate Investment Trust reflects a correction to Primaris' weighted average basic and diluted units outstanding for the three months ended December 31, 2012 and all the calculations based upon those amounts, and supersedes the version released on March 7, 2013.

Primaris Retail REIT (TSX:PMZ.UN) is pleased to report fourth quarter operating results for the period ending December 31, 2012. 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 strong operating results for the 2012 fourth quarter and calendar year. Our tenant sales trend has turned positive, having begun the year in negative territory. The portfolio occupancy rate improved throughout the year contributing to the excellent financial results. These strong results are directly attributable to the passionate and dedicated team at Primaris.

As announced on February 5, 2013, Primaris has entered into an Arrangement Agreement and various conditional sales agreements whereby the assets of Primaris will be purchased by a KingSett Capital-led consortium and H&R REIT, and Primaris will become a wholly-owned subsidiary of H&R REIT. These transactions are subject to many conditions more fully described in a circular dated February 19, 2013. The circular is available on SEDAR and on Primaris' website."

Bill Biggar, chair of the Independent Committee of the Primaris board of trustees, commented "The board strongly endorses these transactions and encourages Unitholders to vote in favour of the transactions at the Unitholders' meeting on March 22, 2013."

Highlights

Funds from Operations (FFO)

- FFO for the quarter ended December 31, 2012 was $29.7 million, down $5.0 million from the $34.7 million reported for the fourth quarter of 2011. On a per unit diluted basis, FFO for the fourth quarter of 2012 was $0.301, down $0.106 from the $0.407 reported in the same quarter of 2011.

- FFO includes $10.5 million of non-recurring charges related to a takeover. When these takeover charges are excluded, Operating FFO for the fourth quarter is $0.407 per unit on a diluted basis. This is the same as the fourth quarter results of 2011. Operating FFO for the three months and year ended December 31, 2012 also included a charge for early debt repayment of $0.9 million. There was no similar charge in the prior periods.

- FFO for the year ended December 31, 2012 was $132.1 million, up $21.3 million from the $110.8 million reported for the prior year. On a per diluted unit basis, FFO for the 2012 year was $1.439, as compared to the $1.415 for the prior year.

- Operating FFO on a per unit diluted basis for the year ended December 31, 2012 was $1.549, up $0.098 from the $1.451 result of the 2011 year end.

- FFO, and Operating FFO, are not terms defined under IFRS and may not be comparable to similar measures used by other Trusts. A reconciliation of net income to FFO and Operating FFO is included.

Net Operating Income (NOI)

- NOI for the quarter ended December 31, 2012 was $63.9 million, an increase of $4.6 million from the $59.3 million recorded in the fourth quarter of 2011.

- NOI for the year ended December 31, 2012 was $237.8 million, an increase of $29.5 million from the $208.3 million recorded in 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 fourth quarter ended December 31, 2012, for the 32 properties held continually for the past 24 months, increased 4.0% from the comparative three month period.

- NOI for the year ended December 31, 2012, for the 27 properties held continually for the past 24 months, increased $7.8 million or 4.2% from 2011. Lease surrender revenue in 2012 was considerably higher than 2011. Removing the effects of lease-surrender revenue in 2012, NOI would be 3.1% higher than the comparative year.

Net Income

- Net income for the quarter ended December 31, 2012 was $61.1 million, a decrease of $95.3 million from the $156.4 million recorded in the fourth quarter of 2011. The decrease is driven by fluctuations in the recording of investment properties at fair value and one time takeover expenses.

- Net income for the year ended December 31, 2012 was $266.4 million, an increase of $34.6 million from the $231.8 million recorded in 2012. Again, the change is principally due to the fluctuations in the fair values of investment properties.

Operations

- During the fourth quarter of 2012, Primaris leased 340,492 square feet comprised of 240,347 square feet to 112 smaller tenants and the remainder to three major and anchor tenants. Approximately 53.6% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (53.5% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented an 11.1% increase over the previous rent (9.3% if the major tenants are excluded).

- During 2012, Primaris leased 1,828,283 square feet comprised of 895,460 square feet to 514 smaller tenants and the remainder to 17 major and anchor tenants. Approximately 67.8% of the space leased during the 2012 year resulted from the renewal of existing tenants (65.5% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the year, on a cash basis, represented a 6.0% increase over the previous rent (7.8% if the major tenants are excluded).

- The portfolio occupancy improved through 2012. It was 97.7% at December 31, 2012, compared to 97.5%% at September 30, 2012, and 97.1% at December 31, 2011.

- For the 18 reporting properties owned throughout both twelve month periods ended December 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have increased to $475 per square foot, from $471 in the prior year.

Liquidity

- At December 31, 2012, Primaris had $45.6 cash on hand and $45.0 million drawn on its $100 million credit facility. At December 31, 2012 Primaris had drawn on its operating line to have cash on hand to repay mortgages maturing January 1, 2013.

Financial Results

FFO for the quarter ended December 31, 2012 was $29.7 million, down $5.0 million from the $34.7 million reported for the fourth quarter of 2011. On a per unit diluted basis, FFO for the fourth quarter of 2012 was $0.301, down $0.106 from the $0.407 reported for the fourth quarter of 2011.

FFO, for the three months ended December 31, 2012, includes material non-recurring charges related to a takeover. When these charges are excluded, Operating FFO for the fourth quarter is $0.407 per unit on a diluted basis. This is the same as the fourth quarter results of 2011.

FFO for the year ended December 31, 2012 was $132.1 million, up $21.3 million from the $110.8 million reported for the prior year. On a per diluted unit basis, FFO for the 2012 year was $1.439, as compared to the $1.415 for the prior year.

Operating FFO on a per unit diluted basis for the year ended December 31, 2012 was $1.549, up $0.098 from the 2011 year end Operating FFO of $1.451.

Operating FFO for the three months and year ended December 31, 2012 included a charge for early debt repayment of $0.9 million. There was no similar charge in the prior periods.

Net income for the quarter ended December 31, 2012 was $61.1 million, a decrease of $95.3 million from the $156.4 million recorded in the fourth quarter of 2011. The decrease is driven by fluctuations in the recording of investment properties at fair value and one time takeover expenses.

Net income for the year ended December 31, 2012 was $266.4 million, an increase of $34.6 million from the $231.8 million recorded in 2012. Again, the change is principally due to the fluctuations in the fair values of investment properties.

The Operating FFO distribution payout ratio for the fourth quarter of 2012, calculated on a diluted basis, was 74.9% the same as the 74.9% payout ratio for the fourth quarter of 2011 and down from the 79.6% for the previous quarter ended September 30, 2012. The payout ratios are sensitive to both seasonal operating results and financial leverage.

The Operating FFO distribution ratio for the 2012 year was 78.7% as compared to an 84.0% payout ratio for 2011.

At December 31, 2012, Primaris' total enterprise value was approximately $4.4 billion (based on the market closing price of Primaris' units on December 31, 2012 plus total debt outstanding). At December 31, 2012 Primaris had $1,727.4 million of outstanding debt, equating to a debt to total enterprise value ratio of 39.0%. Primaris' debt consisted of $1,589.2 million of fixed-rate senior debt with a weighted average interest rate of 5.1% and a weighted average term to maturity of 6.0 years, $45.0 million drawn on the operating line of credit, and $93.2 million of fixed-rate convertible debentures.

Primaris had a debt to total asset ratio of 40.8% at December 31, 2012. During the three months ended December 31, 2012, Primaris had an interest coverage ratio of 2.4 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. This coverage ratio would have been 2.9 times if not for the takeover costs incurred during the fourth quarter of 2012. 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)

FFO for the quarter ended December 31, 2012 was $5.0 million ($0.106 per unit diluted) less than the comparative period.

FFO includes takeover expenses. When these expenses are excluded, Operating FFO for the fourth quarter is $5.6 million greater than the fourth quarter results of 2011 (the same as 2011 on a per unit diluted basis).

(Unaudited)	Three Months Ended December 31, 2012	2011	Favourable / (Unfavourable)
Revenue			
Minimum rent	**$ 64,345**	$ 61,833	$ 2,512
Recoveries from tenants	**41,362**	38,620	2,742
Percent rent	**1,022**	893	129
Parking	**2,161**	1,998	163
Other income	**556**	719	(163)
	109,446	104,063	5,383
Expenses			
Property operating	**28,215**	27,382	(833)
Property tax	**19,285**	18,597	(688)
Ground rent	**359**	332	(27)
General & administrative	**15,950**	2,110	(13,840)
Depreciation	**207**	282	75
	64,016	48,703	(15,313)
Income from operations	**$ 45,430**	$ 55,360	$ (9,930)
Finance income	**22**	72	(50)
Finance costs	**(28,340)**	(32,951)	4,611
Fair value adjustment on investment properties	**43,997**	133,956	(89,959)
Net income	**$ 61,109**	$ 156,437	$ (95,328)
Fair value adjustment on investment properties	**(43,997)**	(133,956)	89,959
Fair value adjustment on convertible debentures	**936**	9,000	(8,064)
Fair value adjustment on exchangeable units	**5,348**	240	5,108
Fair value adjustment on unit-based compensation	**2,873**	108	2,765
Distributions on exchangeable units	**647**	667	(20)
Amortization of tenant improvement allowances	**2,809**	2,176	633
Funds from operations [1]	**$ 29,725**	$ 34,672	$ (4,947)
Add back one-time expenses	**10,550**	-	10,550
Operating FFO[1]	**$ 40,275**	$ 34,672	$ 5,603
Funds from operations per unit - basic	**$ 0.303**	$ 0.420	$ (0.117)
Funds from operations per unit - diluted	**$ 0.301**	$ 0.407	$ (0.106)
Operating FFO per unit - diluted	**$ 0.407**	$ 0.407	$ 0.000
Operating FFO - payout ratio	**74.9%**	74.9%	0.0%
Distributions per unit	**$ 0.305**	$ 0.305	$ -
Weighted average units outstanding - basic	**97,963,800**	82,641,329	15,322,471
Weighted average units outstanding - diluted	**99,759,474**	93,987,252	5,772,222
Units outstanding, end of period (including exchangeable units)	**100,346,768**	82,740,232	17,606,536

(1) Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using IFRS, 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".

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

The same-property comparison consists of the 32 properties that were owned throughout both the current and comparative three month periods. NOI, on a same-property basis, increased $2.3 million, or 4.0%, in relation to the comparable three month period.

(Unaudited)	Three Months Ended December 31, 2012	2011	Favourable / (Unfavourable)
Operating revenue[1]	**$ 108,071**	$ 105,640	$ 2,431
Less operating expenses	**(46,397)**	(46,311)	(86)
Net operating income[1]	**$ 61,674**	$ 59,329	$ 2,345

(1) Not a term defined under IFRS

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.

Financing Update & Liquidity

At December 31, 2012, Primaris had $45.6 cash on hand and $45.0 million drawn on its $100 million operating line to have cash on hand to repay $43.7 million of mortgages maturing January 1, 2013. Subsequent to year end Primaris increased its operating line of credit to $138 million.

Subsequent to December 31, 2012, Primaris agreed to purchase two shopping centres and seven complimentary properties in Alberta for $376,680. In order to finance the acquisition, the vendor provided $339,012 of financing and the balance was funded by a draw on the operating line. The acquisition was completed in early March 2013.

Tenant Sales

For the 18 reporting properties owned throughout both twelve month periods ended December 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have increased to $475 per square foot from $471. For the same 18 properties the all-tenant total sales volume has increased 2.1%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
(Unaudited)	**2012**	2011	$	%	**2012**	2011	$	%
Cataraqui	**$ 527**	$ 527	$ -	0.0%	**87,601**	86,092	1,509	1.8%
Dufferin Mall	**517**	515	$ 2	0.3%	**95,590**	91,655	3,935	4.3%
Eglinton Square	**402**	391	$ 11	3.0%	**31,416**	30,591	825	2.7%
Heritage Place	**306**	305	$ 1	0.5%	**26,474**	25,689	785	3.1%
Lambton Mall	**324**	323	$ 1	0.1%	**44,193**	45,865	(1,672)	-3.6%
Place d'Orleans	**442**	453	$ (11)	-2.6%	**97,693**	99,890	(2,197)	-2.2%
Place Du Royaume	**439**	438	$ 1	0.3%	**113,341**	114,445	(1,104)	-1.0%
Place Fleur De Lys	**330**	331	$ (1)	-0.4%	**67,835**	69,384	(1,549)	-2.2%
Stone Road Mall	**535**	528	$ 7	1.3%	**114,895**	116,142	(1,247)	-1.1%
Aberdeen Mall	**387**	377	$ 10	2.5%	**49,830**	48,815	1,015	2.1%
Cornwall Centre	**583**	569	$ 14	2.6%	**91,589**	85,590	5,999	7.0%
Grant Park	**655**	650	$ 5	0.7%	**26,388**	26,560	(172)	-0.6%
Midtown Plaza	**638**	614	$ 24	3.8%	**144,704**	134,108	10,596	7.9%
Northland Village	**488**	493	$ (5)	-1.2%	**41,881**	43,680	(1,799)	-4.1%
Orchard Park	**490**	490	$ -	0.1%	**133,838**	131,656	2,182	1.7%
Park Place Mall	**474**	477	$ (3)	-0.6%	**78,564**	75,463	3,101	4.1%
Sunridge Mall	**526**	499	$ 27	5.4%	**101,525**	91,732	9,793	10.7%
Woodgrove Centre	**478**	476	$ 2	0.3%	**91,269**	92,283	(1,014)	-1.1%
	$ 475	$ 471	$ 4	0.9%	**$ 1,438,626**	$ 1,409,640	$ 28,986	2.1%

The same tenants' sales per square foot increased 0.9% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the twelve month period ended December 31, 2012, increased 2.0%. Primaris' sales productivity of $475 is lower than the ICSC average of $596, 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 improved through the year. It was 97.7% at December 31, 2012, compared to 97.5% at September 30, 2012, and 97.1 % at December 31, 2011.

These percentages include space for which signed leases are in place, but where the tenant may not yet be in occupancy.

During the fourth quarter of 2012, Primaris leased 340,492 square feet comprised of 240,347 square feet to 112 smaller tenants and the remainder to three major and anchor tenants. Approximately 53.6% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (53.5% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented an 11.1% increase over the previous rent (9.3% if the major tenants are excluded).

During 2012, Primaris leased 1,828,283 square feet comprised of 895,460 square feet to 514 smaller tenants and the remainder to 17 major and anchor tenants. Approximately 67.8% of the space leased during the 2012 year resulted from the renewal of existing tenants (65.5% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the year, on a cash basis, represented a 6.0% increase over the previous rent (7.8% if the major tenants are excluded).

At December 31, 2012, Primaris had a weighted average term to maturity of leases of 5.3 years.

With respect to the four remaining Zellers' leases in Primaris' portfolio, two now terminate on April 30, 2013, the third terminates on June 30, 2013 and the fourth expires naturally on March 31, 2013. Our leasing and development teams are already at work on plans to make the most of the opportunity to bring new brands to the properties.

Development Activity

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

Work is well underway 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 was demolished and will be replaced with a new Galaxy Theatre building comprising approximately 32,000 square feet, a Sport Chek which will occupy approximately 31,000 square feet 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. With the opening of the new Galaxy Theatre at Lambton Mall, Cineplex will close its existing theatre. This phase will cost approximately $16,000, including the purchase of 1450 London Road. A spring 2013 opening of both the Galaxy Theatre and the Sport Chek is expected.

The second phase of a 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 September 2012. Common area improvements and washroom renovations are expected to be completed by spring 2013, and the expansion is expected to open in July 2013. This second phase has a $5,400 budget.

A 12,000 square foot freestanding pad development at Tecumseh Mall, in Windsor, Ontario, was turned over to the LCBO for fixturing on October 31, 2012, on time and under budget. The LCBO plans to open in spring 2013. Primaris invested $3.3 million in this project.

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 months and year ended December 31, 2012 and 2011 are available on Primaris' website at www.primarisreit.com.

About Primaris

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 35 income-producing properties comprising approximately 14.7 million square feet located in Canada. As of February 28, 2013, Primaris had 100,743,915 units issued and outstanding (including 2,122,261 exchangeable units for which units have yet to be issued).

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;

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

(x) the anticipated outcome of the Primaris Unitholder vote on the amended and restated Arrangement Agreement with H&R Real Estate Investment Trust and H&R Finance Trust and an asset purchase agreement with members of the KingSett Capital-led Consortium.

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.

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(In thousands of dollars)

	December 31, 2012	December 31, 2011
Assets		
Non-current assets:		
Investment properties	$ 4,145,400	$ 3,557,900
Current assets:		
Rents receivable	6,245	7,387
Other assets and receivables	20,793	25,010
Cash and cash equivalents	45,622	–
	72,660	32,397
	$ 4,218,060	$ 3,590,297
Liabilities and Equity		
Non-current liabilities:		
Mortgages payable	$ 1,431,205	$ 1,372,871
Convertible debentures	110,525	268,766
Exchangeable units	57,088	45,079
Accounts payable and other liabilities	7,214	1,205
	1,606,032	1,687,921
Current liabilities:		
Current portion of mortgages payable	151,729	53,004
Bank indebtedness	45,000	6,779
Accounts payable and other liabilities	75,248	61,744
Distribution payable	10,000	8,251
	281,977	129,778
	1,888,009	1,817,699
Equity	2,330,051	1,772,598
	$ 4,218,060	$ 3,590,297

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended December 31, 2012 (unaudited)	Three months ended December 31, 2011 (unaudited)	Year ended December 31, 2012	Year ended December 31, 2011
Revenue:				
Minimum rent	$ 64,345	$ 61,833	$ 242,516	$ 219,113
Recoveries from tenants	41,362	38,620	154,235	135,464
Percentage rent	1,022	893	2,707	2,652
Parking	2,161	1,998	7,220	6,556
Other income	556	719	4,353	1,568
	109,446	104,063	411,031	365,353
Expenses:				
Property operating	28,215	27,382	103,297	92,745
Property taxes	19,285	18,597	76,467	68,569
Ground rent	359	332	1,353	1,246
General and administrative	15,950	2,110	25,483	9,840
Depreciation	207	282	1,207	1,039
	64,016	48,703	207,807	173,439
Income from operations	45,430	55,360	203,224	191,914
Finance income	22	72	90	168
Finance costs	(28,340)	(32,951)	(115,648)	(109,396)
Fair value adjustment on investment properties	43,997	133,956	178,690	149,113
Net income (loss)	61,109	156,437	266,356	231,799
Other comprehensive income:				
Deferred loss on cash flow hedge	143	–	(190)	–
Amortization of deferred net loss on cash flow hedges	56	57	226	230
Comprehensive income	$ 61,308	$ 156,494	$ 266,392	$ 232,029

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Three months ended December 31, 2012 (unaudited)	Three months ended December 31, 2011 (unaudited)
Cash flows from operating activities:		
Net income for the period	$ 61,109	$156,437
Adjustments for:		
Amortization of tenant improvement allowances	2,809	2,176
Amortization of tenant inducements	55	70
Amortization of straight-line rent	(578)	(669)
Value of units and options granted under unit-based compensation plan	3,246	364
Depreciation of fixtures and equipment	207	282
Net finance costs	28,318	32,879
Fair value adjustments on investment properties	(43,997)	(133,956)
	51,169	57,583
Other non-cash operating working capital	20,242	4,969
Leasing commissions	(346)	(408)
Tenant improvement allowances	(3,044)	(7,377)
Tenant inducements	–	(15)
Cash generated from operating activities	68,021	54,752
Interest received	22	72
Net cash from operating activities	68,043	54,824
Cash flows from financing activities:		
Mortgage principal repayments	(8,380)	(8,033)
Proceeds of new mortgage financing	209,905	–
Proceeds of bridge financing	–	57,500
Repayment of financing	–	(62,894)
Advance (repayment) of bank indebtedness	44,090	(221)
Interest paid on financing	(21,755)	(21,315)
Capitalized debt placement costs	(994)	7
Issuance of units	115,016	–
Unit issue costs	(5,278)	(50)
Distributions to Unitholders	(25,152)	(23,163)
Net cash flow used in financing activities	307,452	(58,169)
Cash flows used in investing activities:		
Acquisitions of investment properties	(315,561)	(3,005)
Additions to buildings and building improvements	(9,827)	(4,947)
Additions to recoverable improvements	(4,471)	(7,821)
Additions to fixtures and equipment	(14)	(286)
Proceeds of disposition	–	18,266
Net cash flow used in investing activities	(329,873)	2,207
Decrease in cash and cash equivalents	45,622	(1,138)
Cash and cash equivalents, beginning of period	–	1,138
Cash and cash equivalents, end of period	$ 45,622	$ –
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	6,270	2,037
Value of units issued under distribution reinvestment plan	4,461	2,079
Value of units issued upon conversion of exchangeable units	–	–
Value of units issued under unit-based compensation plan	–	–
Deferred loss on cash flow hedge	143	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year ended December 31, 2012	2011
Cash flows from operating activities:		
Net income for the period	$ 266,356	$231,799
Adjustments for:		
Amortization of tenant improvement allowances	9,768	7,419
Amortization of tenant inducements	220	168
Amortization of straight-line rent	(2,096)	(2,030)
Value of units and options granted under unit-based compensation plan	7,552	1,957
Depreciation of fixtures and equipment	1,207	1,039
Net finance costs	115,558	109,228
Fair value adjustments on investment properties	(178,690)	(149,113)
	219,875	200,467
Other non-cash operating working capital	16,535	(7,069)
Leasing commissions	(990)	(773)
Tenant improvement allowances	(17,440)	(18,879)
Tenant inducements	(25)	(15)
Cash generated from operating activities	217,955	173,731
Interest received	90	168
Net cash from operating activities	218,045	173,899
Cash flows from financing activities:		
Mortgage principal repayments	(33,000)	(28,146)
Proceeds of new mortgage financing	209,905	333,600
Proceeds of bridge financing	–	57,500
Repayment of financing	(21,227)	(99,933)
Advance (repayment) of bank indebtedness	38,221	(3,221)
Interest paid on financing	(87,962)	(83,723)
Capitalized debt placement costs	(1,479)	(2,736)
Cash received on exercise of options	829	457
Issuance of units	230,074	260,590
Unit issue costs	(10,491)	(11,144)
Redemption of convertible debentures	(9,458)	–
Issuance of convertible debentures	–	75,000
Convertible debenture issue costs	–	(3,029)
Distributions to Unitholders	(93,628)	(84,016)
Purchase of units under normal course issuer bid	–	(589)
Net cash flow from (used in) financing activities	221,784	410,610
Cash flows used in investing activities:		
Acquisitions of investment properties	(365,897)	(585,388)
Additions to buildings and building improvements	(17,225)	(12,977)
Additions to recoverable improvements	(9,498)	(12,087)
Additions to fixtures and equipment	(1,587)	(390)
Proceeds of disposition	–	19,833
Net cash flow used in investing activities	(394,207)	(591,009)
Decrease in cash and cash equivalents	45,622	(6,500)
Cash and cash equivalents, beginning of period	–	6,500
Cash and cash equivalents, end of period	$ 45,622	$ –
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	161,539	17,926
Value of units issued under distribution reinvestment plan	16,133	8,714
Value of units issued upon conversion of exchangeable units	481	478
Value of units issued under unit-based compensation plan	1,409	597
Deferred loss on cash flow hedge	(190)	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011
Net income	$61,109	$156,437
Fair value adjustment on investment properties	(43,997)	(133,956)
Fair value adjustment on convertible debentures	936	9,000
Fair value adjustment on exchangeable units	5,348	240
Fair value adjustment on unit-based compensation	2,873	108
Distributions on exchangeable units	647	667
Amortization of tenant improvement allowances	2,809	2,176
Funds from operations[1]	**$29,725**	**$34,672**

[1] Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using IFRS, 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 December 31, 2012	Three Months Ended December 31, 2011
Revenue	$109,446	$104,063
Reverse: Non-cash revenue	2,286	1,577
Less: Property operating expenses	(28,215)	(27,382)
Property tax expense	(19,285)	(18,597)
Ground Rent	(359)	(332)
Net operating income[1]	**$63,873**	**$59,329**

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