Primaris

# PRIMARIS RETAIL REIT Announces Third Quarter Financial Results and Financing Update

Toronto (Ontario) November 8, 2012 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report third quarter operating results for the period ending September 30, 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 the strong operating results at the core of our business, as evidenced by the growth in tenant sales and strong performance in same property net operating income. With the conversion of $99.1 million of convertible debentures into units during this quarter and our solid operating results, we continue to see improvement in our credit metrics and expect this trend to persist over the coming quarters. On October 31, Primaris announced the acquisition of Regent Mall in Fredericton, New Brunswick and McAllister Place in Saint John, New Brunswick. These acquisitions are consistent with our property strategy of owning dominant centres in secondary markets."

***Highlights***

Funds from Operations (FFO)

- FFO for the quarter ended September 30, 2012 was $36.2 million, up $6.9 million from the $29.3 million reported for the third quarter of 2011. On a per unit diluted basis, FFO for the third quarter of 2012 was $0.383, up $0.034 from the $0.349 reported in the same quarter of 2011.

- FFO is not a term defined under 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 quarter ended September 30, 2012 was $58.9 million, an increase of $3.6 million from the $55.3 million recorded in the third 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 third quarter ended September 30, 2012, for the 32 properties held continually for the past 24 months, increased 5.8% from the comparative three month period. Removing the effects of lease-surrender revenue, NOI, on a same-property basis, would be 3.0% higher than the comparative period.

Net Income

- Net income for the quarter ended September 30, 2012 was $139.2 million, an increase of $110.0 million from the $29.2 million recorded in the third quarter of 2011. The increase is driven by fluctuations in the recording of investment properties at fair value.

Operations

- During the third quarter of 2012, Primaris leased 523,003 square feet comprised of 162,370 square feet to 121 smaller tenants and the remainder to five major and anchor tenants. Approximately 62.9% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (85.1% 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 8.7% increase over the previous rent (10.6% if the major tenants are excluded).

- The portfolio occupancy for 2012 is relatively stable. It was 97.5% at September 30, 2012, compared to 97.4%% at June 30, 2012, and 96.5% at September 30, 2011.

  For the 18 reporting properties owned throughout both twelve month periods ended August 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have increased to $470 per square foot, from $467 in the prior year.

Liquidity

- At September 30, 2012, Primaris had no cash on hand and $1 million drawn on its $100 million credit facility.

***Financial Results***

FFO for the quarter ended September 30, 2012 was $36.2 million, up $6.9 million from the $29.3 million reported for the third quarter of 2011. On a per unit diluted basis, FFO for the third quarter of 2012 was $0.383, up $0.034 from the $0.349 reported for the third quarter of 2011.

Net income for the quarter ended September 30, 2012 was $139.2 million, an increase of $110.0 million from the $29.2 million recorded in the third quarter of 2011. The increase is driven by fluctuations in the recording of investment properties at fair value.

The FFO distribution payout ratio for the third quarter of 2012, calculated on a diluted basis, was 79.6% as compared to an 87.4% payout ratio for the third quarter of 2011 and 81.0% for the previous quarter ended June 30, 2012. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At September 30, 2012, Primaris' total enterprise value was approximately $3.8 billion (based on the market closing price of Primaris' units on September 30, 2012 plus total debt outstanding). At September 30, 2012 Primaris had $1,485.9 million of outstanding debt, equating to a debt to total enterprise value ratio of 39.1%. Primaris' debt consisted of $1,387.7 million of fixed-rate senior debt with a weighted average interest rate of 5.4% and a weighted average term to maturity of 5.1 years, $1 million drawn on the operating line of credit, and $97.2 million of fixed-rate convertible debentures.

Primaris had a debt to total asset ratio of 38.9% at September 30, 2012. During the three months ended September 30, 2012, Primaris had an interest coverage ratio of 2.7 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".

On July 18, 2012 Primaris called the 5.85% series of convertible debentures for redemption. Prior to redemption, holders of $84,018 of convertible debentures at face value exercised their option to convert to units. The redemption of the debentures was effective on August 17, 2012 when Primaris redeemed the remaining debentures at a face value of $9,458.

### *Operating Results*

<u>Comparison to Prior Period Financial Results (in thousands of dollars)</u>
FFO for the quarter ended September 30, 2012 was $6.9 million ($0.0.34 per unit diluted) greater than the comparative period.

| (Unaudited) | | Three Months Ended September 30, 2012 | | 2011 | | Favourable / (Unfavourable) |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Minimum rent | **$** | **59,763** | $ | 58,574 | $ | 1,189 |
| Recoveries from tenants | | **38,601** | | 35,558 | | 3,043 |
| Percent rent | | **511** | | 711 | | (200) |
| Parking | | **1,624** | | 1,483 | | 141 |
| Other income | | **1,767** | | 263 | | 1,504 |
| | | **102,266** | | 96,589 | | 5,677 |
| **Expenses** | | | | | | |
| Property operating | | **25,759** | | 23,882 | | (1,877) |
| Property tax | | **19,109** | | 18,291 | | (818) |
| Ground rent | | **332** | | 325 | | (7) |
| General & administrative | | **3,331** | | 2,080 | | (1,251) |
| Depreciation | | **257** | | 286 | | 29 |
| | | **48,788** | | 44,864 | | (3,924) |
| **Income from operations** | **$** | **53,478** | $ | 51,725 | $ | 1,753 |
| Finance income | | **9** | | 13 | | (4) |
| Finance costs | | **(24,194)** | | (19,518) | | (4,676) |
| Fair value adjustment on investment properties | | **109,879** | | (2,997) | | 112,876 |
| **Net income** | **$** | **139,172** | $ | 29,223 | $ | 109,949 |
| Fair value adjustment on investment properties | | **(109,879)** | | 2,997 | | (112,876) |
| Fair value adjustment on convertible debentures | | **1,213** | | (3,721) | | 4,934 |
| Fair value adjustment on exchangeable units | | **1,740** | | (1,203) | | 2,943 |
| Fair value adjustment on unit-based compensation | | **995** | | (459) | | 1,454 |
| Distributions on exchangeable units | | **647** | | 667 | | (20) |
| Amortization of tenant improvement allowances | | **2,344** | | 1,783 | | 561 |
| **Funds from operations [1]** | **$** | **36,232** | $ | 29,287 | $ | 6,945 |
| Funds from operations per unit - basic | **$** | **0.389** | $ | 0.355 | $ | 0.034 |
| Funds from operations per unit - diluted | **$** | **0.383** | $ | 0.349 | $ | 0.034 |
| Funds from operations - payout ratio | | **79.6%** | | 87.4% | | -7.8% |
| Distributions per unit | **$** | **0.305** | $ | 0.305 | $ | - |
| Weighted average units outstanding - basic | | **93,040,645** | | 82,439,758 | | 10,600,887 |
| Weighted average units outstanding - diluted | | **96,898,901** | | 91,295,759 | | 5,603,142 |
| Units outstanding, end of period (including exchangeable units) | | **95,021,808** | | 82,543,264 | | 12,478,544 |

[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 $3.2 million, or 5.8%, 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 $1.6 million or 3.0% higher than the comparative period.

| (Unaudited) | Three Months Ended September 30, **2012** | 2011 | Favourable / (Unfavourable) |
|---|---|---|---|
| Operating revenue[1] | **$ 103,157** | $ 97,588 | $ 5,569 |
| Less operating expenses | **(44,743)** | (42,355) | (2,388) |
| Net operating income[1] | **$ 58,414** | $ 55,233 | $ 3,181 |

[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***

Stone Road Mall
Primaris refinanced Stone Road Mall on November 7, 2012. The mortgage was originally scheduled to mature on July 1, 2013. The new loan amount is $120 million and bears interest at a fixed rate of 4.132% (old rate 5.494%) for a term of ten years. Funds were used to repay the balance outstanding on the existing loan of $100.1 million, to pay a penalty of approximately $870 thousand, to pay normal transaction costs, and to fund general corporate purposes. The penalty results from the difference in interest rates for the period between refinance date and the previously scheduled maturity date of July 1, 2013. The penalty will be recorded as an expense in the fourth quarter of 2012.

Regent Mall and McAllister Place
On October 31, 2012, Primaris agreed to purchase two shopping centres: Regent Mall in Fredericton, New Brunswick and McAllister Place in Saint John, New Brunswick; for a purchase price of $317.6 million. Primaris has entered into a commitment to borrow $114 million, to be secured by Regent Mall. This loan will have a ten year term and will bear interest at a fixed rate of 4.034%. Primaris has entered into a second commitment to borrow $76 million, to be secured by McAllister Place. This second loan will have a seven year term and will bear interest at a fixed rate of 3.682%. The second commitment will replace the bridge facility initially announced on October 31, 2012. In addition, Primaris has agreed to issue approximately $115 million of units, before issuance costs. The issuance is expected to close on November 9, 2012. Primaris also expects to draw on its operating line to fund this transaction.

At September 30, 2012, Primaris had no cash on hand and $1 million drawn on its $100 million credit facility.

### *Tenant Sales*

For the 18 reporting properties owned throughout both twelve month periods ended August 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have increased to $470 per square foot from $467. For the same 18 properties the all-tenant total sales volume has increased 2.0%.

| | Same Tenant Sales per Square Foot | | Variance | | All Tenant Total Sales Volume | | Variance | |
|---|---|---|---|---|---|---|---|---|
| **(Unaudited)** | **2012** | **2011** | **$** | **%** | **2012** | **2011** | **$** | **%** |
| Cataraqui | $ 504 | $ 513 | $ (9) | -1.8% | 86,116 | 87,354 | (1,238) | -1.4% |
| Dufferin Mall | 520 | 513 | $ 7 | 1.4% | 95,077 | 89,665 | 5,412 | 6.0% |
| Eglinton Square | 378 | 380 | $ (2) | -0.5% | 31,273 | 28,997 | 2,276 | 7.8% |
| Heritage Place | 314 | 316 | $ (2) | -0.6% | 25,425 | 25,193 | 232 | 0.9% |
| Lambton Mall | 322 | 328 | $ (6) | -1.8% | 44,423 | 47,443 | (3,020) | -6.4% |
| Place d'Orleans | 444 | 463 | $ (19) | -4.1% | 98,097 | 102,483 | (4,386) | -4.3% |
| Place Du Royaume | 426 | 427 | $ (1) | -0.2% | 114,171 | 114,574 | (403) | -0.4% |
| Place Fleur De Lys | 339 | 339 | $ - | 0.0% | 68,572 | 70,754 | (2,182) | -3.1% |
| Stone Road Mall | 530 | 527 | $ 3 | 0.6% | 116,596 | 114,225 | 2,371 | 2.1% |
| Aberdeen Mall | 391 | 387 | $ 4 | 1.0% | 49,299 | 48,622 | 677 | 1.4% |
| Cornwall Centre | 578 | 551 | $ 27 | 4.9% | 89,048 | 81,911 | 7,137 | 8.7% |
| Grant Park | 592 | 574 | $ 18 | 3.1% | 26,631 | 26,807 | (176) | -0.7% |
| Midtown Plaza | 622 | 602 | $ 20 | 3.3% | 141,019 | 129,899 | 11,120 | 8.6% |
| Northland Village | 458 | 460 | $ (2) | -0.4% | 42,517 | 43,794 | (1,277) | -2.9% |
| Orchard Park | 500 | 496 | $ 4 | 0.8% | 132,906 | 129,828 | 3,078 | 2.4% |
| Park Place Mall | 490 | 477 | $ 13 | 2.7% | 77,991 | 75,469 | 2,522 | 3.3% |
| Sunridge Mall | 509 | 500 | $ 9 | 1.8% | 98,485 | 91,120 | 7,365 | 8.1% |
| Woodgrove Centre | 473 | 470 | $ 3 | 0.6% | 92,235 | 93,477 | (1,242) | -1.3% |
| | **$ 470** | **$ 467** | **$ 3** | **0.6%** | **$ 1,429,881** | **$ 1,401,615** | **$ 28,266** | **2.0%** |

The same tenants' sales per square foot increased 0.6% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12-month period ended August 31, 2012, increased 1.8%. Primaris' sales productivity of $470 is lower than the ICSC average of $595, 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 97.5% at September 30, 2012, compared to 97.4% at June 30, 2012, and 96.5% at September 30, 2011. These percentages include space for which signed leases are in place, but where the tenant may not yet be in occupancy.

During the third quarter of 2012, Primaris leased 523,003 square feet comprised of 162,370 square feet to 121 smaller tenants and the remainder to five major and anchor tenants. Approximately 62.9% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (85.1% 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 8.7% increase over the previous rent (10.6% if the major tenants are excluded).

At September 30, 2012, Primaris had a weighted average term to maturity of leases of 5.5 years.

With respect to the four remaining Zellers' leases in Primaris' portfolio, two now terminate on April 30, 2013, the third includes a mutual termination clause with six months' notice 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 will be demolished and 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 million, including the purchase of 1450 London Road. A spring 2013 opening of both the Galaxy Theatre and the Sport Chek is expected.

The first phase of a redevelopment project is now complete at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store. This project also included 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 were also renovated to provide a marquee entry to the new redevelopment inside. Primaris invested $6.4 million in this project. 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 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 $5.4 million 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 and nine months periods ended September 30, 2012 and 2011 are available on Primaris' website at www.primarisreit.com.

### *Conference Call*

Primaris invites you to participate in the conference call that will be held on Friday November 9, 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/q3conference.

***About Primaris***

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 October 31, 2012, Primaris had 95,085,289 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; 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.

**INFORMATION**

John R. Morrison
President & Chief Executive Officer
(416) 642-7860

Louis M. Forbes
Executive Vice President
& Chief Financial Officer
(416) 642-7810

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | September 30, 2012 (Unaudited) | December 31, 2011 |
|---|---|---|
| **Assets** | | |
| Non-current assets: | | |
| Investment properties | $ 3,766,650 | $ 3,557,900 |
| Current assets: | | |
| Rents receivable | 4,770 | 7,387 |
| Other assets and receivables | 26,511 | 25,010 |
| | 31,281 | 32,397 |
| | $ 3,797,931 | $ 3,590,297 |
| **Liabilities and Equity** | | |
| Non-current liabilities: | | |
| Mortgages payable | $ 1,137,083 | $ 1,372,871 |
| Convertible debentures | 115,857 | 268,766 |
| Exchangeable units | 51,741 | 45,079 |
| Accounts payable and other liabilities | 4,296 | 1,205 |
| | 1,308,977 | 1,687,921 |
| Current liabilities: | | |
| Current portion of mortgages payable | 244,896 | 53,004 |
| Bank indebtedness | 910 | 6,779 |
| Accounts payable and other liabilities | 55,908 | 61,744 |
| Distribution payable | 9,501 | 8,251 |
| | 311,215 | 129,778 |
| | 1,620,192 | 1,817,699 |
| Equity | 2,177,739 | 1,772,598 |
| | $ 3,797,931 | $ 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 September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| Revenue: | | | | |
| Minimum rent | $ 59,763 | $ 58,574 | $ 178,171 | $ 157,280 |
| Recoveries from tenants | 38,601 | 35,558 | 112,873 | 96,844 |
| Percentage rent | 511 | 711 | 1,685 | 1,759 |
| Parking | 1,624 | 1,483 | 5,059 | 4,558 |
| Other income | 1,767 | 263 | 3,797 | 849 |
| | 102,266 | 96,589 | 301,585 | 261,290 |
| Expenses: | | | | |
| Property operating | 25,759 | 23,882 | 75,082 | 65,363 |
| Property taxes | 19,109 | 18,291 | 57,182 | 49,972 |
| Ground rent | 332 | 325 | 994 | 914 |
| General and administrative | 3,331 | 2,080 | 9,533 | 7,730 |
| Depreciation | 257 | 286 | 1,000 | 757 |
| | 48,788 | 44,864 | 143,791 | 124,736 |
| Income from operations | 53,478 | 51,725 | 157,794 | 136,554 |
| Finance income | 9 | 13 | 68 | 96 |
| Finance costs | (24,194) | (19,518) | (87,308) | (76,445) |
| Fair value adjustment on investment properties | 109,879 | (2,997) | 134,693 | 15,157 |
| Income before income taxes | 139,172 | 29,223 | 205,247 | 75,362 |
| Other comprehensive income: | | | | |
| Deferred loss on cash flow hedge | (368) | – | (333) | – |
| Amortization of deferred net loss on cash flow hedges | 57 | 58 | 170 | 173 |
| Comprehensive income | $ 138,861 | $ 29,281 | $ 205,084 | $ 75,535 |

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | Three months ended September 30, 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income for the period | $ 139,172 | $ 29,223 |
| Adjustments for: | | |
| Amortization of tenant improvement allowances | 2,344 | 1,783 |
| Amortization of tenant inducements | 55 | 38 |
| Amortization of straight-line rent | (569) | (634) |
| Value of units and options granted under unit-based compensation plan | 1,370 | (131) |
| Depreciation of fixtures and equipment | 257 | 286 |
| Net finance costs | 24,185 | 19,505 |
| Fair value adjustments on investment properties | (109,879) | 2,997 |
| | 56,935 | 53,067 |
| Other non-cash operating working capital | 11,123 | 6,853 |
| Leasing commissions | (187) | (215) |
| Tenant improvement allowances | (7,856) | (7,456) |
| Tenant inducements | (25) | – |
| Cash generated from operating activities | 59,990 | 52,249 |
| Interest received | 9 | 13 |
| Net cash from operating activities | 59,999 | 52,262 |
| Cash flows from financing activities: | | |
| Mortgage principal repayments | (8,239) | (7,645) |
| Repayment of financing | (21,227) | – |
| Advance (repayment) of bank indebtedness | 910 | (3,000) |
| Interest paid on financing | (21,535) | (23,811) |
| Capitalized debt placement costs | (190) | 9 |
| Cash received on exercise of options | – | 101 |
| Unit issue costs | 43 | (18) |
| Redemption of convertible debentures | (9,458) | – |
| Distributions to Unitholders | (23,777) | (22,715) |
| Purchase of units under normal course issuer bid | – | (589) |
| Net cash flow used in financing activities | (83,473) | (57,668) |
| Cash flows used in investing activities: | | |
| Acquisitions of investment properties | (5,642) | – |
| Additions to buildings and building improvements | (3,142) | (3,196) |
| Additions to recoverable improvements | (2,288) | (2,998) |
| Additions to fixtures and equipment | (212) | (62) |
| Proceeds of disposition | – | 1,567 |
| Net cash flow used in investing activities | (11,284) | (4,689) |
| Decrease in cash and cash equivalents | (34,758) | (10,095) |
| Cash and cash equivalents, beginning of period | 34,758 | 11,233 |
| Cash and cash equivalents, end of period | $ – | $ 1,138 |
| Supplemental disclosure of non-cash operating, financing and investing activities: | | |
| Value of units issued from conversion of convertible debentures | 108,581 | 2,138 |
| Value of units issued under distribution reinvestment plan | 4,517 | 2,480 |
| Value of units issued upon conversion of exchangeable units | – | – |
| Value of units issued under unit-based compensation plan | – | 94 |
| Deferred loss on cash flow hedge | (368) | – |

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | Nine months ended September 30, 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income for the period | $ 205,247 | $ 75,362 |
| Adjustments for: | | |
| Amortization of tenant improvement allowances | 6,959 | 5,243 |
| Amortization of tenant inducements | 165 | 98 |
| Amortization of straight-line rent | (1,518) | (1,361) |
| Value of units and options granted under unit-based compensation plan | 4,306 | 1,593 |
| Depreciation of fixtures and equipment | 1,000 | 757 |
| Net finance costs | 87,240 | 76,349 |
| Fair value adjustments on investment properties | (134,693) | (15,157) |
| | 168,706 | 142,884 |
| Other non-cash operating working capital | (3,707) | (12,038) |
| Leasing commissions | (644) | (365) |
| Tenant improvement allowances | (14,396) | (11,502) |
| Tenant inducements | (25) | – |
| Cash generated from operating activities | 149,934 | 118,979 |
| Interest received | 68 | 96 |
| Net cash from operating activities | 150,002 | 119,075 |
| Cash flows from financing activities: | | |
| Mortgage principal repayments | (24,620) | (20,113) |
| Proceeds of new mortgage financing | – | 333,600 |
| Repayment of financing | (21,227) | (37,039) |
| Advance (repayment) of bank indebtedness | (5,869) | (3,000) |
| Interest paid on financing | (66,207) | (62,408) |
| Capitalized debt placement costs | (485) | (2,743) |
| Cash received on exercise of options | 829 | 457 |
| Issuance of units | 115,058 | 260,590 |
| Unit issue costs | (5,213) | (11,094) |
| Redemption of convertible debentures | (9,458) | – |
| Issuance of convertible debentures | – | 75,000 |
| Convertible debenture issue costs | – | (3,029) |
| Distributions to Unitholders | (68,476) | (60,853) |
| Purchase of units under normal course issuer bid | – | (589) |
| Net cash flow from (used in) financing activities | (85,668) | 468,779 |
| Cash flows used in investing activities: | | |
| Acquisitions of investment properties | (50,336) | (582,383) |
| Additions to buildings and building improvements | (7,398) | (8,030) |
| Additions to recoverable improvements | (5,027) | (4,266) |
| Additions to fixtures and equipment | (1,573) | (104) |
| Proceeds of disposition | – | 1,567 |
| Net cash flow used in investing activities | (64,334) | (593,216) |
| Decrease in cash and cash equivalents | – | (5,362) |
| Cash and cash equivalents, beginning of period | – | 6,500 |
| Cash and cash equivalents, end of period | $ – | $ 1,138 |
| Supplemental disclosure of non-cash operating, financing and investing activities: | | |
| Value of units issued from conversion of convertible debentures | 155,269 | 15,889 |
| Value of units issued under distribution reinvestment plan | 11,672 | 6,635 |
| Value of units issued upon conversion of exchangeable units | 1,409 | 597 |
| Value of units issued under unit-based compensation plan | 481 | 478 |
| Deferred loss on cash flow hedge | (333) | – |

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 |
|---|---|---|
| Net income | $ 139,172 | $29,223 |
| Fair value adjustment on investment properties | (109,879) | 2,997 |
| Fair value adjustment on convertible debentures | 1,213 | (3,721) |
| Fair value adjustment on exchangeable units | 1,740 | (1,203) |
| Fair value adjustment on unit-based compensation | 995 | (459) |
| Distributions on exchangeable units | 647 | 667 |
| Amortization of tenant improvement allowances | 2,344 | 1,783 |
| **Funds from operations[1]** | **$ 36,232** | **$29,287** |

[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 September 30, 2012 | Three Months Ended September 30, 2011 |
|---|---|---|
| Revenue | $102,266 | $96,589 |
| Reverse: Non-cash revenue | 1,830 | 1,187 |
| Less: Property operating expenses | (25,759) | (23,882) |
| Property tax expense | (19,109) | (18,291) |
| Ground Rent | (332) | (325) |
| **Net operating income** | **$58,896** | **$55,278** |

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