Everyday Performance

2012

Second Quarter Report
Six Months Ended
June 30

Crombie
REIT

Crombie REIT

www.crombiereit.com

Quarterly Report to Unitholders

Crombie Real Estate Investment Trust ("Crombie") is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The trust invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of retail properties. At June 30, 2012, Crombie owned a portfolio of 166 commercial properties in nine provinces, comprising approximately 13.7 million square feet of rentable space.

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Copies of this report are available on Crombie's website www.crombiereit.com or by contacting Investor Relations at (902) 755- 8100. A copy has also been filed on SEDAR.

Crombie will provide additional details concerning its second quarter results on a conference call held Wednesday, August 8, 2012. Replay of the call is available on Crombie's website www.crombiereit.com for a period of approximately 90 days.

Forward-looking Statements

This quarterly report contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed in the annual Management's Discussion and Analysis under "Risk Management" in the 2011 Annual Report, could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

Letter to Unitholders

Crombie Real Estate Investment Trust ("Crombie") (TSX: CRR.UN) is pleased to report its results for the second quarter ended June 30, 2012. The financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

2012 HIGHLIGHTS

- Crombie completed the acquisition of 27 retail properties in the quarter ended June 30, 2012 totalling $302.4 million; 28 retail properties totalling $316.3 million year to date which increases total assets to excess of $2.0 billion.
- Property revenue for the quarter ended June 30, 2012 of $63.6 million; an increase of $7.3 million or 12.9% over the $56.3 million for the quarter ended June 30, 2011.
- Same-asset cash net operating income ("NOI") for the quarter ended June 30, 2012 of $33.3 million; an increase of $0.5 million or 1.6%, compared to $32.8 million for the quarter ended June 30, 2011 and for the six months ended June 30, 2011, same-asset cash NOI of $66.5 million; an increase of $0.8 million or 1.3% over the same period in 2011.
- Occupancy on a committed basis was 93.5% at June 30, 2012 compared with 92.7% at March 31, 2012, and 94.7% at December 31, 2011. Actual occupied space at June 30, 2012 was 91.8% compared with 93.3% at December 31, 2011 and 94.9% at June 30, 2011.
- Crombie completed leasing activity on 673,000 square feet of GLA during the six months ended June 30, 2012, which represents approximately 65.3% of its 2012 expiring lease square footage.
- Crombie's leasing activity included lease renewals during the first six months of 2012 on 268,000 square feet at an average rate of $13.30 per square foot; an increase of 9.4% over the expiring lease rate. Crombie's new leasing activity during the first six months was completed at an average rate of $13.58 per square foot.
- Funds from operations ("FFO") for the quarter ended June 30, 2012 was $0.27 per unit (payout ratio 82.5%) compared to $0.28 per unit (payout ratio 80.6%) for the same period in 2011.
- Adjusted funds from operations ("AFFO") for the quarter ended June 30, 2012 was $0.23 per unit (payout ratio 99.0%) compared to $0.20 per unit (payout ratio 110.5%) for the same period in 2011.
- On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders which increased the maximum principal amount thereof to $200 million, subject to available borrowing base.

Other Performance Measures

Crombie's FFO and AFFO had the following results during the second quarter and six months ended June 30th:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions of CAD dollars, except per unit amounts)	2012	2011	2012	2011
FFO	$22.747	$18.457	$42.048	$36.786
FFO Per Unit – basic	$0.27	$0.28	$0.53	$0.56
FFO Per Unit – diluted	$0.26	$0.26	$0.51	$0.53
FFO Payout ratio	82.5%	80.6%	85.4%	80.5%
AFFO	$18.954	$13.456	$34.961	$28.715
AFFO Per Unit – basic	$0.23	$0.20	$0.44	$0.43
AFFO Per Unit – diluted	$0.22	$0.20	$0.43	$0.42
AFFO Payout ratio	99.0%	110.5%	102.8%	103.2%

The increase in FFO for the quarter ended June 30, 2012 was primarily due to the significant acquisition activity during 2011 and 2012. The AFFO for the three months ended June 30, 2012 was $19.0 million, an increase of $5.5 million or 40.9% over the same period in 2011, due primarily to the improved FFO results and the unfavourable swap agreement settlement in the three months ended June 30, 2011.

The FFO for the six months ended June 30, 2012 was $42.0 million, an increase of $5.3 million or 14.3% over the same period in 2011, due primarily to the improved NOI results offset in part by increased operations finance costs. The AFFO for the six months ended June 30, 2012 was $35.0 million, an increase of $6.2 million or 21.8% over the same period in 2011, due primarily to the improved FFO results and the unfavourable swap agreement settlement in June 2011.

Financial Overview

Same-asset property revenue of $103.4 million for the six months ended June 30, 2012 was 1.4% higher than the six months ended June 30, 2011 due to increased base rent driven by lease renewal activity and recoveries as a result of higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $9.0 million or 84.5% is due to higher acquisition and redevelopment activity in 2011 and 2012.

Same-asset property expenses of $18.3 million for the three months ended June 30, 2012 increased by $0.3 million or 1.8% from the three months ended June 30, 2011 due primarily to higher recoverable property expenses. Same-asset property expenses of $37.8 million for the six months ended June 30, 2012 increased by $1.0 million or 2.6% from the six months ended June 30, 2011 due primarily to higher recoverable property expenses.

Closing Remarks

We are pleased to have successfully executed one of the most productive quarters in Crombie's history. With Q2 property acquisitions, development and redevelopment in excess of $300 million, we are delivering on our strategy to increase our pace of high quality growth and national geographic diversification while maintaining ample liquidity and financial flexibility in these uncertain global economic times. We successfully financed this Q2 growth with a Unit offering, long term mortgage and convertible debenture financings and utilization of our expanded $200 million revolving credit facility; all on very attractive terms. Going forward we will continue to focus on building a national portfolio of primarily grocery and drug store anchored retail centres supported by a strong national real estate platform.

Donald E. Clow, FCA
President & Chief Executive Officer

August 7, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis

(In thousands of CAD dollars, except per unit amounts)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the three months and six months ended June 30, 2012, with a comparison to the financial condition and results of operations for the comparable periods in 2011.

This MD&A should be read in conjunction with Crombie's interim consolidated financial statements and accompanying notes for the period ended June 30, 2012, prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

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

(i) the development of new properties under development and right of first offer agreements, which development activities are undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(ii) 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 interest rates;

(iii) reinvesting to redevelop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;

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

(v) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;

(vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities and market conditions;

(vii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;

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

(ix) anticipated subsidy payments from ECL Developments Limited ("ECLD"), which are dependent on tenant leasing and construction activity;

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

(xi) the effect that any contingencies would have on Crombie's financial statements which could be impacted by their eventual outcome;

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

(xiii) the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt market conditions.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

NON-IFRS FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset NOI and same-asset cash NOI, operating income attributable to Unitholders, funds from operations ("FFO") and adjusted funds from operations ("AFFO"), debt to gross book value, and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Management includes these measures because it believes certain investors use these measures as a means of assessing relative financial performance.

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of August 7, 2012, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Property revenue	$63,646	$56,357	$123,093	$112,675
Operating income attributable to Unitholders	$10,436	$9,126	$19,999	$18,452
Basic and diluted operating income attributable to Unitholders per unit[1]	$0.12	$0.14	$0.25	$0.28
FFO	$22,747	$18,457	$42,048	$36,786
FFO per unit - basic	$0.27	$0.28	$0.53	$0.56
FFO per unit - diluted[1]	$0.26	$0.26	$0.51	$0.53
FFO payout ratio (%)	82.5%	80.6%	85.4%	80.5%
AFFO	$18,954	$13,456	$34,961	$28,715
AFFO per unit - basic	$0.23	$0.20	$0.44	$0.43
AFFO per unit - diluted[1]	$0.22	$0.20	$0.43	$0.42
AFFO payout ratio (%)[2]	99.0%	110.5%	102.8%	103.2%

(1) The diluted weighted average number of total Units and Class B LP Units with attached Special Voting Units includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. For both the three months ended and six months ended June 30, 2012 and June 30, 2011, all series of convertible debentures are anti-dilutive for operating income attributable to Unitholders per unit calculations. For the three months ended June 30, 2011, the 7% Debentures and Series C Debentures are anti-dilutive for AFFO per unit calculations. For the six months ended June 30, 2012, the Series C Debentures are anti-dilutive for AFFO per unit calculations. For the six months ended June 30, 2011, the 7% Debentures and Series C Debentures are anti-dilutive for AFFO per unit calculations. For both the three months ended and six months ended June 30, 2012 and June 30, 2011, all series of convertible debentures are anti-dilutive for operating income attributable to Unitholders per unit calculations.

(2) AFFO payout ratio is calculated using a per square foot charge of $1.05 (2011 - $1.10) for maintenance expenditures (see "AFFO" section).

Overview of the Business and Recent Developments

Crombie is an unincorporated, "open-ended" real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol CRR.UN.

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored and drug store-anchored retail properties. At June 30, 2012, Crombie owned a portfolio of 166 investment properties in nine provinces, comprising approximately 13.7 million square feet of gross leaseable area

("GLA"). Empire Company Limited ("Empire" or "ECL"), through its subsidiary ECLD, holds a 43.2% economic and voting interest in Crombie at June 30, 2012.

Significant developments during 2012 include:

- On March 9, 2012, Crombie completed the acquisition of a property in Red Deer, Alberta from a third party. The purchase price of the property was $13,800, excluding closing and transaction costs. Crombie financed the acquisition with an assumed mortgage of $7,604 and a new mortgage of $1,356, with a five year term, a 20 year amortization and a blended interest rate of 4.06%. The balance was funded using Crombie's existing revolving credit facility.
- On March 29, 2012, Crombie completed a public offering of 4,630,000 REIT Units, at a price of $14.50 per REIT Unit for gross proceeds of $67,135. Concurrent with the public offering, ECLD purchased 3,655,200 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of $14.50 per Class B LP Unit for gross proceeds of $53,000.
- On April 10, 2012, Crombie completed the acquisition of a portfolio of 22 retail properties from third party vendors. The properties include total gross leasable area of approximately 886,000 square feet, and with the exception of two assets located in Manitoba and Saskatchewan, all of the properties are located in Ontario. The purchase price of the properties was $254,647, excluding closing and transaction costs. Crombie financed the acquisition as follows: (1) assumed mortgages of $95,754 with a weighted average term to maturity of 3.8 years and a weighted average interest rate of 3.86%; (2) application of net proceeds from the March 2012 $120,135 public offering; and, (3) the balance from Crombie's existing revolving credit facility.
- On April 18, 2012, Crombie announced that it had exercised its right to redeem its 7% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms of the Trust Indenture dated March 20, 2008, governing all series of Debentures. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on a conversion price of $13.00 per Unit until May 22, 2012. The redemption of the balance of the outstanding 7% Debentures was completed on May 23, 2012 for a total payment of approximately $3,707 on account of principal plus accrued interest.
- On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders which increased the maximum principal amount thereof to $200,000, subject to available borrowing base.
- On June 26, 2012, Crombie completed the acquisition of a portfolio of five freestanding retail properties from a third party. The properties include total gross leasable area of approximately 107,000 square feet. Three properties are located in Quebec, one in Ontario and one in Alberta. The purchase price of the properties was $42,800, excluding closing and transaction costs. Crombie financed the acquisition with new mortgages of $29,100 with the balance being funded from Crombie's existing revolving credit facility.
- On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures" or the "Debentures"). The Debentures have an interest rate of 5.00% per annum and will pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Debentures mature on September 30, 2019. ECL has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECLD's pre-emptive right with respect to the Debenture offering.

Significant developments during 2011 included:

- On January 1, 2011, Crombie transitioned to IFRS from Canadian GAAP.
- On May 2, 2011, Crombie completed the acquisition of Gaetz South Plaza, Red Deer, Alberta from a third party. The purchase price of the property was $21,850, excluding closing and transaction costs. Crombie assumed a mortgage of $10,708 with the balance being financed with Crombie's existing credit facility.
- On May 10, 2011, Crombie completed the acquisition of 500 Riddell Road, Orangeville, Ontario and Penhorn Plaza, Halifax, Nova Scotia from subsidiaries of Empire. The purchase price of the properties was $27,490, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $7,100 and $13,000, with 20 year terms, 25 year amortization and fixed interest rates of 5.06% and 5.04% respectively. The balance was financed with Crombie's existing revolving credit facility.

- On June 28, 2011, Crombie renewed its $150,000 floating rate revolving credit facility, extending the term to June 30, 2014. The renewal contains a $50,000 accordion feature which, when requested and approved, increases the total facility to $200,000.
- On June 29, 2011, Crombie settled the last remaining forward rate interest rate swap agreement at a cost of $1,731. This cost represents a charge of $0.03 against AFFO in the year ended December 31, 2011.
- On September 15, 2011, Crombie completed the acquisition of a Sobeys grocery anchored plaza in Shawinigan, Quebec from subsidiaries of Empire. The purchase of the property was $13,040, excluding closing and transaction costs. Crombie financed the acquisition with a $9,130 mortgage, with a 10 year term, 25 year amortization and fixed interest rate of 4.23%. The balance was financed with Crombie's existing credit facility.
- On September 28, 2011, Crombie completed the acquisition of two freestanding Sobeys stores in Bradford and Parry Sound, Ontario from subsidiaries of Empire. The purchase price of the properties was $11,780, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $4,200 and $3,800, with 20 year terms, 25 year amortization and fixed interest rates of 4.80%. The balance was financed with Crombie's existing credit facility.
- On October 20, 2011, Crombie completed a public offering of 3,510,000 REIT Units, at a price of $12.85 per REIT Unit for gross proceeds of $45,104. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of $12.85 per Class B LP Unit for gross proceeds of $30,000.
- On December 15, 2011, Crombie completed the acquisition of two retail plazas in Halifax, Nova Scotia; and a freestanding addition to an existing property in Nepean, Ontario, from subsidiaries of Empire. The purchase price of the properties was $67,278, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of $5,000, $16,000 and $25,000, with terms between 10 to 20 years, 25 year amortization and fixed interest rates ranging from 4.06% to 4.606%. The balance was funded with proceeds from the October 2011 public offering.
- On December 19, 2011, Crombie completed the acquisition of a retail plaza in London, Ontario from a third party. The purchase price of the property was $5,600, with an assumed mortgage of $2,877. The balance was funded with proceeds from the October 2011 public offering.

Business Objectives and Outlook

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unit value through active asset management; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

Generate reliable and growing cash distributions: Management focuses both on improving the same-asset results while expanding the asset base with accretive acquisitions to grow the cash distributions to unitholders. Crombie's focus on grocery-anchored retail properties, a stable and defensive-oriented asset class, assists in enhancing the reliability of cash distributions.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value.

Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on acquisitions of income-producing, grocery-anchored retail properties. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with ECLD and Sobeys Developments Limited Partnership ("SDLP"). The relationship with ECLD and SDLP includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFR") that one of Empire's subsidiaries has negotiated in certain of their third party leases. Crombie will seek to identify future property acquisitions using investment criteria that focuses on the strength of anchor tenancies, market demographics, age of properties, terms of tenancies, proportion of revenue from national and regional tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning.

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form, and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has obtained a right of first offer from Sobeys for other Sobeys' income producing commercial properties, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

The agreements provide Crombie with a preferential right to acquire retail properties from ECLD and/or SDLP, subject to approval by Crombie's independent elected trustees. These relationships between Crombie and ECLD and SDLP continue to provide promising opportunities for growth of Crombie's portfolio through future developments on both new and existing sites.

The following table outlines the property transactions completed since the initial public offering ("IPO") which highlight the growth opportunities provided through the Empire /Sobeys/ ECLD relationship.

Date Acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost(1)	Vendor
2006-2010	83	4,303,000	$632,208	Empire subsidiaries
2006-2010	7	619,000	$110,300	3rd parties
2011	8	522,000	$119,591	Empire subsidiaries
2011	2	94,000	$27,450	3rd parties
March 9, 2012	1	40,000	$13,800	3rd party
April 10, 2012	22	886,000	$254,647	3rd parties
June 26, 2012	5	107,000	$42,801	3rd party

(1) Excluding closing and transaction costs.

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire properties developed by these entities. There is currently approximately $300,000 - $500,000 of properties in various stages of development which is anticipated to be made available to Crombie over the next four years. The properties are primarily retail plazas with approximately 70% of the GLA expected to be located outside of Atlantic Canada.

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers continue to rise and unemployment levels remain high. Also, during this 2009 - 2011 period, the credit and equity markets experienced a dramatic improvement in their liquidity which occurred almost as quickly as the contraction did in late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital. During 2011, Crombie sourced 20 year mortgage debt as low as 4.61% and 10 year mortgage debt as low as 4.06%. This trend continues in 2012 with Crombie sourcing five year mortgage debt as low as 3.33%; 10 year mortgage debt as low as 3.96%; and, 15 year mortgage debt as low as 4.15%. The availability of longer term financing (i.e. 10 years and longer) is not consistent as limited numbers of lenders participate in this segment of the market.

In light of the improving economic conditions and improved access to capital, capitalization rates began to decrease after their increases during the recession. This capitalization rate reduction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions are available. As a result, Crombie was able to complete acquisitions of three retail properties in the second quarter of 2011; three properties in the third quarter and three properties in the fourth quarter as well as an addition to an existing property. During 2012 to date, Crombie acquired one property in the first quarter and 27 properties in the second quarter; all of the 2012 acquisitions were from third parties. Crombie will only pursue acquisitions that are accretive to AFFO and provide an acceptable return, including acquisitions from relationships between Crombie and ECLD and Crombie and SDLP.

2012 HIGHLIGHTS

- Crombie completed leasing activity on 673,000 square feet of GLA during the first six months of 2012, which represents approximately 65.3% of its 2012 expiring lease square footage.
- Crombie's leasing activity included lease renewals during the first six months of 2012 on 268,000 square feet at an average rate of $13.30 per square foot; an increase of 9.4% over the expiring lease rate. Crombie completed new leasing activity during the first six months at $13.58 per square foot.
- Property occupied was 91.8% at June 30, 2012 compared with 94.9% at June 30, 2011, and 93.3% at December 31, 2011. Property leased (occupied plus committed) was 93.5% at June 30, 2012 compared with 92.7% at March 31, 2012 and 94.7% at December 31, 2011.
- Property revenue for the quarter ended June 30, 2012 was $63,646, an increase of $7,289 or 12.9% over the $56,357 for the quarter ended June 30, 2011.
- Same-asset cash NOI for the quarter ended June 30, 2012 of $33,315, an increase of $514, or 1.6%, compared to $32,801 for the quarter ended June 30, 2011.
- The FFO payout ratio for the quarter ended June 30, 2012 was 82.5% compared to the payout ratio of 80.6% for the same period in 2011.
- The AFFO payout ratio for the quarter ended June 30, 2012 was 99.0% compared to 110.5% for the same period in 2011.
- Debt to gross book value was 52.4% at June 30, 2012 compared to 49.1% at March 31, 2012 and 55.4% at June 30, 2011.
- Crombie's interest service coverage for the six months ended June 30, 2012 was 2.58 times EBITDA and debt service coverage was 1.75 times EBITDA, compared to 2.46 times EBITDA and 1.74 times EBITDA, respectively, for the same period in 2011.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At June 30, 2012 the property portfolio consisted of 166 investment properties that contain approximately 13.7 million square feet of GLA in nine provinces.

As at June 30, 2012, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	Jan. 1, 2012	Acquisitions (dispositions)	Other	June 30, 2012	Number of Properties	% of GLA	% of Annual Minimum Rent
Alberta	348,000	59,000	--	407,000	9	3.0%	4.6%
Manitoba	--	39,000	--	39,000	1	0.3%	0.3%
New Brunswick	1,737,000	--	--	1,737,000	22	12.7%	9.9%
Newfoundland and Labrador	1,492,000	--	24,000	1,516,000	13	11.0%	14.0%
Nova Scotia	5,466,000	--	22,000	5,488,000	46	40.1%	33.9%
Ontario	1,936,000	846,000	12,000	2,794,000	49	20.4%	24.1%
Prince Edward Island	313,000	--	--	313,000	2	2.3%	2.0%
Quebec	1,108,000	59,000	7,000	1,174,000	21	8.6%	9.4%
Saskatchewan	198,000	30,000	--	228,000	3	1.6%	1.8%
Total	12,598,000	1,033,000	65,000	13,696,000	166	100.0%	100.0%

During the second quarter of 2012, there was an increase in GLA of 1,019,000 square feet primarily due to the acquisition of 22 retail properties containing approximately 886,000 square feet; the acquisition of five retail properties containing approximately 107,000 square feet; and, additional land use intensification.

During the first quarter of 2012, there was an increase in GLA of 79,000 square feet primarily due to the acquisition of a new 40,000 square foot property in Red Deer, Alberta; the addition of approximately 18,000 square feet as part of the redevelopment at Sydney Shopping Centre in Sydney, Nova Scotia; and, additional land use intensification.

Crombie looks to diversify its geographic composition from its Atlantic Canadian roots through growth opportunities, as evidenced by nine property acquisitions in Alberta, 34 in Ontario, nine in Quebec, three in Saskatchewan and one in Manitoba since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

On a regular basis, Crombie will commence redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. As at June 30, 2012, Crombie has three properties under redevelopment: Barrington Tower in Halifax, Nova Scotia and Downsview Plaza in Halifax, Nova Scotia are being reconfigured to accommodate new tenancies; and, Terminal Centres in Moncton, New Brunswick has been designated for redevelopment which has not yet commenced.

The following table outlines properties designated for redevelopment:

(In thousands of CAD dollars) Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred To Date	Estimated Completion
Nova Scotia	Barrington Tower	187,000	Reconfigure space to accommodate future leasing	$5,750	$3,543	September 2012
Nova Scotia	Downsview Plaza	142,000	Reconfigure space to accommodate future leasing	Phase I - $2,600	$910	October 2012
New Brunswick	Terminal Centres	202,000	To be determined	In planning	$--	To be determined

During the fourth quarter of 2011, Crombie commenced the reconfiguration of Barrington Tower to accommodate the requirements of new tenants expected to take occupancy through September 2012.

During the first quarter of 2012, Crombie commenced redevelopment work on the first phase of Downsview Plaza to accommodate the requirements of new tenants and initial work for future tenants. Additional redevelopment work will be determined at a later date.

Terminal Centres has been designated for redevelopment. Planning and design work is currently underway and is subject to management review and approval.

Properties under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the redevelopment property are available for the current and comparative reporting periods.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at June 30, 2012.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys [(1)]	34.3%	14.6 years
Shoppers Drug Mart	6.9%	13.2 years
Empire Theatres Limited	1.6%	8.0 years
GoodLife Fitness	1.5%	9.0 years
CIBC	1.4%	18.2 years
Best Buy Canada Ltd.	1.4%	9.1 years
Province of Nova Scotia	1.4%	5.7 years
Lawtons/Sobeys Pharmacy	1.4%	13.3 years
Target Canada Co.	1.3%	9.5 years
Bank of Nova Scotia	1.2%	2.4 years
Total	52.4%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 34.3% of the annual minimum rent and Shoppers Drug Mart which accounts for 6.9% of the annual minimum rent, no other tenant accounts for more than 1.6% of Crombie's annual minimum rent.

Lease Maturities

The following table sets out as of June 30, 2012, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per Sq. Ft. at Expiry ($)
Remainder of 2012	146	560,000	4.1%	$12.37
2013	198	882,000	6.4%	$12.77
2014	186	604,000	4.4%	$17.32
2015	153	651,000	4.8%	$15.22
2016	154	782,000	5.7%	$14.06
Thereafter	599	9,323,000	68.1%	$14.58
Total	1,436	12,802,000	93.5%	$14.49

The weighted average remaining term of all leases is approximately 10.7 years. This extended remaining lease term is influenced by the average Sobeys remaining lease term of 14.6 years.

During the six months ended June 30, 2012, Crombie's lease renewals were completed at an average rate of $13.30 per square foot; while new leasing activity was completed at an average rate of $13.58 per square foot. The average rent per square foot on full year 2012 lease expiries is $12.05 per square foot.

2012 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the six months ending June 30, 2012 were as follows:

	Occupied space (sq. ft.)						Committed	Total Leased	Leased
Province	Jan. 1, 2012	Acquisitions (dispositions)	New leases	Lease expiries	Other changes	June 30, 2012	space (sq. ft.)	space (sq. ft.)	June 30, 2012
Alberta	348,000	59,000	--	--	--	407,000	--	407,000	100.0%
Manitoba	--	39,000	--	--	--	39,000	--	39,000	100.0%
New Brunswick	1,565,000	--	7,000	(54,000)	(19,000)	1,499,000	34,000	1,533,000	88.3%
Newfoundland & Labrador	1,445,000	--	7,000	(3,000)	(42,000)	1,407,000	33,000	1,440,000	95.0%
Nova Scotia	4,976,000	--	121,000	(163,000)	(28,000)	4,906,000	144,000	5,050,000	92.0%
Ontario	1,829,000	829,000	32,000	(8,000)	(61,000)	2,621,000	17,000	2,638,000	94.4%
PEI	304,000	--	--	--	1,000	305,000	--	305,000	97.5%
Quebec	1,085,000	59,000	--	--	18,000	1,162,000	--	1,162,000	99.0%
Saskatchewan	198,000	30,000	--	--	--	228,000	--	228,000	100.0%
Total	11,750,000	1,016,000	167,000	(228,000)	(131,000)	12,574,000	228,000	12,802,000	93.5%

Other changes include amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.

Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased from 185,000 square feet at December 31, 2011 to 228,000 square feet at June 30, 2012.

Overall leased space (occupied plus committed) decreased from 94.7% at December 31, 2011 to 92.7% at March 31, 2012, and since March 31, 2012 increased to 93.5% at June 30, 2012. This year to date decrease is the result of lease expiries (primarily Walmart in Downsview Plaza, Halifax, Nova Scotia) and tenant terminations (primarily Hart in five locations); offset in part by new leases of 167,000 square feet, the 1,016,000 square feet of acquisition activity in the period and leasing activity resulting in an increase of 43,000 square feet of committed space.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

As at June 30, 2012, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Freestanding	69	2,556,000	18.7%	20.7%	99.9%
Retail Plazas	73	6,084,000	44.4%	45.5%	94.3%
Retail Enclosed	11	2,289,000	16.7%	17.9%	91.0%
Portfolio sub-totals for retail	153	10,929,000	79.8%	84.1%	94.9%
Office	5	1,050,000	7.7%	5.9%	86.1%
Mixed Use	8	1,717,000	12.5%	10.0%	89.0%
Total	166	13,696,000	100.0%	100.0%	93.5%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by the head lease agreements as occupied.

As at June 30, 2011, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy[1]
Retail Freestanding	52	2,135,000	17.5%	18.4%	99.8%
Retail Plazas	57	5,028,000	41.2%	40.8%	96.1%
Retail Enclosed	11	2,265,000	18.6%	21.3%	94.6%
Portfolio sub-totals for retail	120	9,428,000	77.3%	80.5%	96.6%
Office	5	1,051,000	8.6%	7.5%	81.1%
Mixed Use	8	1,716,000	14.1%	12.0%	94.3%
Total	133	12,195,000	100.0%	100.0%	94.9%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreements as occupied.

Retail properties represent 79.8% of Crombie's GLA and 84.1% of annual minimum rent at June 30, 2012 compared to 77.3% of GLA and 80.5% of annual minimum rent at June 30, 2011, reflecting of Crombie's growth strategy to focus primarily on retail properties.

Leased space in retail properties of 94.9% at June 30, 2012, has decreased from June 30, 2011, due to lease expires (primarily Walmart in Downsview Plaza, Halifax, Nova Scotia) and tenant terminations (primarily Hart in five locations); offset in part by new leasing activity of 167,000 square feet and the 1,016,000 square feet of acquisition activity in 2012.

The following table sets out as of June 30, 2012, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Freestanding		Retail Plazas		Retail Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	--	--%	158,000	2.6%	165,000	7.2%
2013	--	--%	365,000	6.0%	128,000	5.6%
2014	--	--%	253,000	4.2%	178,000	7.8%
2015	9,000	0.4%	323,000	5.3%	91,000	4.0%
2016	6,000	0.2%	389,000	6.4%	178,000	7.8%
Thereafter	2,538,000	99.3%	4,246,000	69.8%	1,343,000	58.7%
Total	2,553,000	99.9%	5,734,000	94.3%	2,083,000	91.1%

Year	Office		Mixed Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	79,000	7.5%	158,000	9.2%	560,000	4.1%
2013	119,000	11.4%	270,000	15.7%	882,000	6.4%
2014	80,000	7.6%	93,000	5.5%	604,000	4.4%
2015	63,000	6.0%	165,000	9.6%	651,000	4.8%
2016	91,000	8.6%	118,000	6.9%	782,000	5.7%
Thereafter	473,000	45.0%	723,000	42.1%	9,323,000	68.1%
Total	905,000	86.1%	1,527,000	89.0%	12,802,000	93.5%

Of the 10,370,000 square feet of retail properties under lease, 8,127,000 square feet, or 78.4% is scheduled for maturity after 2016. This long-term stability in lease maturities is primarily driven by the extended term nature of the Sobeys leases.

In the office and mixed use properties, lease maturities after 2016 represents 49.2% of the leased square footage.

The following table sets out the average rent per square foot expiring during the periods indicated.

Year	Retail Freestanding	Retail Plazas	Retail Enclosed	Office	Mixed Use	Total
2012	$--	$13.48	$11.47	$11.92	$12.41	$12.37
2013	$--	$12.05	$19.49	$13.74	$10.14	$12.77
2014	$--	$15.02	$24.74	$12.95	$13.86	$17.43
2015	$25.32	$15.16	$20.88	$11.93	$13.04	$15.25
2016	$29.00	$14.18	$18.84	$12.84	$8.13	$14.29
Thereafter	$15.45	$15.05	$13.97	$11.92	$12.94	$14.68
2012 Total	$15.52	$14.76	$15.75	$12.34	$ 12.08	$14.58
2011 Total	$14.09	$13.87	$14.33	$13.70	$11.67	$13.68

FINANCIAL RESULTS YEAR TO DATE

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At June 30, 2012	December 31, 2011	June 30, 2011
Total assets	$2,058,771	$1,728,782	$1,638,194
Total investment property debt and convertible debentures	$1,187,574	$1,002,358	$996,412
Debt to gross book value[1]	52.4%	52.5%	55.4%

(1) See "Debt to Gross Book Value" for detailed calculation.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Six Months Ended June 30, 2012	2011	Variance
Property revenue	$123,093	$112,675	$10,418
Property operating expenses	45,637	42,063	(3,574)
Property NOI	77,456	70,612	6,844
NOI margin percentage	62.9%	62.7%	0.2%
Other items:			
Lease terminations	113	163	(50)
Depreciation and amortization	(19,877)	(15,367)	(4,510)
General and administrative expenses	(6,108)	(5,361)	(747)
Operating income before finance costs and income taxes	51,584	50,047	1,537
Finance costs – operations	(32,485)	(31,095)	(1,390)
Operating income before income taxes	19,099	18,952	147
Taxes – deferred	900	(500)	1,400
Operating income attributable to Unitholders	19,999	18,452	1,547
Finance costs – distributions to Unitholders	(35,927)	(29,621)	(6,306)
Decrease in net assets attributable to Unitholders	$(15,928)	$(11,169)	$(4,759)
Operating income attributable to Unitholders per Unit, Basic and Diluted	$0.25	$0.28	
Basic weighted average Units outstanding (in 000's)	79,021	66,271	
Diluted weighted average Units outstanding (in 000's)	79,204	66,450	
Distributions per Unit to Unitholders	$0.44	$0.44	

Operating income attributable to Unitholders for the six months ended June 30, 2012 of $19,999 increased by $1,547 or 8.4% from $18,452 for the six months ended June 30, 2011. The increase was primarily due to:

- higher property NOI caused by increased average rental rates, lower occupancy rates and the impact of property acquisitions during 2011 and 2012; and
- higher deferred tax recovery related to increased depreciation and amortization expense.

Offset in part by:

- higher depreciation and amortization expense and finance costs in 2012 primarily related to property acquisitions; and
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth.

Classification of Crombie REIT Units and Class B LP Units with attached Special Voting Units (collectively the "Units")

On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

Property Revenue and Property Operating Expenses

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period.

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property revenue	$103,427	$102,015	$1,412
Acquisition, disposition and redevelopment property revenue	19,666	10,660	9,006
Property revenue	$123,093	$112,675	$10,418

Same-asset property revenue of $103,427 for the six months ended June 30, 2012 was 1.4% higher than the six months ended June 30, 2011 due to increased base rent driven by lease renewal activity and recoveries as a result of higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $9,006 or 84.5% is due to higher acquisition and redevelopment activity in 2011 and 2012.

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property operating expenses	$37,754	$36,789	$(965)
Acquisition, disposition and redevelopment property operating expenses	7,883	5,274	(2,609)
Property operating expenses	$45,637	$42,063	$(3,574)

Same-asset property expenses of $37,754 for the six months ended June 30, 2012 increased by $965 or 2.6% from the six months ended June 30, 2011 due primarily to higher recoverable property expenses.

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property NOI	$65,673	$65,226	$447
Acquisition, disposition and redevelopment property NOI	11,783	5,386	6,397
Property NOI	$77,456	$70,612	$6,844

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the six months ended June 30, 2012 increased by $6,844 or 9.7% from the six months ended June 30, 2011. Crombie's acquisition activity accelerated in the second quarter and throughout 2011, and in 2012, resulting in significant growth in acquisition, disposition and redevelopment property NOI results in the six months ended June 30, 2012 compared to the same period in 2011.

Property NOI on a cash basis is as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Property NOI	$77,456	$70,612	$6,844
Non-cash straight-line rent	(2,315)	(1,815)	(500)
Non-cash tenant incentive amortization	3,072	2,467	605
Property cash NOI	78,213	71,264	6,949
Acquisition, disposition and redevelopment property cash NOI	11,730	5,619	6,111
Same-asset property cash NOI	$66,483	$65,645	$838

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The $838 or 1.3% increase in same-asset cash NOI for the six months ended June 30, 2012 over the six months ended June 30, 2011 is primarily the result of increased average rent per square foot from leasing activity and improved recovery rates during the past 12 months.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Acquisition, disposition and redevelopment property cash NOI is as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Acquisition and disposition property cash NOI	$8,818	$777	$8,041
Redevelopment property cash NOI	2,912	4,842	(1,930)
Total acquisition, disposition and redevelopment property cash NOI	$11,730	$5,619	$6,111

The significant growth in acquisition and disposition property NOI reflects the property acquisitions in the second, third and fourth quarters of 2011 as well as the first and second quarters of 2012.

Cash NOI for redevelopment properties decreased $1,930 or 39.9% for the six months ended June 30, 2012 over the six months ended June 30, 2011 as a result of redevelopment work at Barrington Tower in Halifax, Nova Scotia, Downsview Plaza in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick. These properties have temporary vacancies as the redevelopment work proceeds. This was offset in part by the completion of redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia in early 2012.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

Crombie undertakes redevelopment of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the six months ended June 30, 2012 by province was as follows:

	2012				2011	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	Variance
Alberta	$4,123	$566	$3,557	86.3%	91.4%	(5.1)%
Manitoba	145	2	143	98.6%	--	--
New Brunswick	13,684	6,272	7,412	54.2%	57.2%	(3.0)%
Newfoundland and Labrador	17,527	5,330	12,197	69.6%	69.3%	0.3%
Nova Scotia	49,412	21,430	27,982	56.6%	56.6%	0.0 %
Ontario	22,964	7,158	15,806	68.8%	65.6%	3.2%
Prince Edward Island	2,135	687	1,448	67.8%	72.8%	(5.0)%
Quebec	11,134	3,667	7,467	67.1%	70.1%	(3.0)%
Saskatchewan	1,969	525	1,444	73.3%	74.2%	(0.9)%
Total	$123,093	$45,637	$77,456	62.9%	62.7%	0.2%

The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions; in particular the acquisitions of additional freestanding properties which have a higher NOI percentage of revenue. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2012 results including a retail plaza acquired in the second quarter of 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties. The decrease in NOI as a percentage of revenue in New Brunswick is primarily due to the disposition of a freestanding store in the fourth quarter of 2011 and the planned redevelopment work at Terminal Centres in Moncton resulting in decreased occupancy. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011. The decrease in NOI as a percentage of revenue in Quebec is due to higher non-recoverable expenses.

Depreciation and Amortization

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset depreciation and amortization	$15,814	$14,707	$(1,107)
Acquisition, disposition and redevelopment depreciation and amortization	4,063	660	(3,403)
Depreciation and amortization	$19,877	$15,367	$(4,510)

Acquisition, disposition and redevelopment depreciation and amortization of $4,063 for the six months ended June 30, 2012 was $3,403 higher than the six months ended June 30, 2011. This increase is consistent with Crombie's significant acquisition activity in 2011 and the first six months of 2012. Depreciation and amortization consists of:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Depreciation of investment properties	$17,012	$12,605	$(4,407)
Amortization of intangible assets	2,581	2,529	(52)
Amortization of deferred leasing costs	284	233	(51)
Depreciation and amortization	$19,877	$15,367	$(4,510)

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses.

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Salaries and benefits	$3,353	$2,724	$(629)
Professional fees	736	926	190
Public company costs	765	673	(92)
Rent and occupancy	393	497	104
Other	861	541	(320)
General and administrative expenses	$6,108	$5,361	$(747)
As a percentage of property revenue	5.0%	4.8%	(0.2)%

General and administrative expenses, as a percentage of property revenue, increased by 0.2% for the six months ended June 30, 2012 compared to the same period in 2011. Salaries and benefits increased due to the hiring of additional staff related to continued growth and higher incentive payments. Other increases are primarily due to higher travel costs, training and development, increased Trustee fees and costs associated with due diligence on potential property acquisitions.

Finance Costs - Operations

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset finance costs	$23,711	$25,678	$1,967
Acquisition, disposition and redevelopment finance costs	5,120	1,829	(3,291)
Amortization of effective swaps and deferred financing charges	3,654	3,588	(66)
Finance costs – operations	$32,485	$31,095	$(1,390)

Same-asset finance costs for the six months ended June 30, 2012 decreased by $1,967 or 7.7% compared to the six months ended June 30, 2011 primarily due to the maturity of the interest rate swap agreement in July 2011 on the revolving credit facility resulting in greater utilization of lower cost floating rate debt and interest savings from conversions of Convertible Debentures.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $4,296 over that period. The amount of interest rate subsidy received during the six months ended June 30, 2012 was $542 (six months ended June 30, 2011 - $692).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2011 and the first six months of 2012.

Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2010 and 2011 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability represents the future tax provision for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

Retail Freestanding Properties

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$16,288	$2,540	$18,828	$15,973	$467	$16,440
Property operating expenses	3,183	253	3,436	2,745	52	2,797
Property NOI	$13,105	$2,287	$15,392	$13,228	$415	$13,643
NOI Margin %	80.5%	90.0%	81.8%	82.8%	88.9%	83.0%
Actual occupancy %	99.8%	100%	99.9%	99.7%	100%	99.8%

Same-asset property NOI decreased slightly from 2011 due to a vacancy in one property while same-asset NOI Margin percentage is lower in 2012 due to an increase in expenses paid by Crombie and recovered from tenants. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2011 primarily due to the acquisition of 16 freestanding properties in the first six months of 2012.

Retail Plaza Properties

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$39,968	$13,078	$53,046	$40,427	$4,462	$44,889
Property operating expenses	13,620	4,117	17,737	13,353	1,817	15,170
Property NOI	$26,348	$8,961	$35,309	$27,074	$2,645	$29,719
NOI Margin %	65.9%	68.5%	66.6%	67.0%	59.3%	66.2%
Actual occupancy %	93.7%	91.5%	93.1%	96.0%	96.6%	96.1%

Same-asset property NOI was impacted by reduced occupancy in 2012, offset in part by improved recovery rates compared to the same period in 2011. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2011 primarily due to the acquisition of 12 properties in the second quarter of 2012.

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$23,337	$--	$23,337	$22,485	$--	$22,485
Property operating expenses	8,648	--	8,648	8,479	--	8,479
Property NOI	$14,689	$--	$14,689	$14,006	$--	$14,006
NOI Margin %	62.9%	--%	62.9%	62.3%	--%	62.3%
Actual occupancy %	88.6%	--%	88.6%	94.6%	--%	94.6%

Property revenue increased by $852 or 3.8% while NOI increased by $683 or 4.9% compared to the same period in 2011. This growth can be attributed to rental rate increases offset by reduced occupancy and in part by property operating expense increases of $169 or 2.0% from 2011 to 2012.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$8,013	$2,368	$10,381	$7,140	$3,572	$10,712
Property operating expenses	4,219	2,564	6,783	3,977	2,463	6,440
Property NOI	$3,794	$(196)	$3,598	$3,163	$1,109	$4,272
NOI Margin %	47.3%	(8.3)%	34.7%	44.3%	31.0%	39.9%
Actual occupancy %	89.5%	54.5%	76.6%	87.0%	71.0%	81.1%

During the fourth quarter of 2011, Crombie began reclassifying the monthly parking revenue earned from property office tenants at Scotia Square Parkade in Halifax, Nova Scotia from mixed use properties to office properties to better reflect the overall operating results of the offices. The impact is an increase in office properties revenue, property operating expenses, property NOI and NOI margin percentage and a decrease in mixed use properties revenue and property operating expenses. The property NOI results for acquisitions, dispositions and redevelopment properties is impacted by the temporary vacancies in Barrington Tower (former Nova Scotia Power space) in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick as these properties are being redeveloped.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$15,821	$1,680	$17,501	$15,989	$2,160	$18,149
Property operating expenses	8,084	949	9,033	8,235	942	9,177
Property NOI	$7,737	$731	$8,468	$7,754	$1,218	$8,972
NOI Margin %	48.9%	43.5%	48.4%	48.5%	56.4%	49.4%
Actual occupancy %	92.3%	77.9%	88.9%	93.4%	97.4%	94.3%

As noted above under Office Properties, Crombie has reclassified monthly parking revenue. The impact of this reclassification is offset by improved results in Park Lane in Halifax, Nova Scotia including increases in rental rate, recovery rates and parking revenue.

OTHER 2012 PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

	Six Months Ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2012	2011
Operating income attributable to Unitholders	$19,999	$18,452
Operating income attributable to Unitholders per unit – Basic	$0.25	$0.28
Operating income attributable to Unitholders per unit – Diluted	$0.25	$0.28
FFO – Basic	$42,048	$36,786
FFO – Diluted	$45,583	$41,421
FFO per Unit – Basic	$0.53	$0.56
FFO per Unit – Diluted	$0.51	$0.53
AFFO – Basic	$34,961	$28,715
AFFO – Diluted	$37,203	$31,007
AFFO per Unit – Basic	$0.44	$0.43
AFFO per Unit – Diluted	$0.43	$0.42

Operating income attributable to Unitholders is determined before deducting Financing costs - distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, the measure commonly referred to where units are classified as equity instruments.

The diluted FFO and AFFO are adjusted by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

Weighted average number of Units outstanding for per unit measures calculations:

	Six Months Ended June 30,	
	2012	2011
Basic number of Units for all measures	79,021,027	66,270,878
Diluted for operating income attributable to Unitholders purposes	79,204,347	66,450,471
Diluted for FFO purposes	88,610,025	78,470,987
Diluted for AFFO purposes	85,668,849	73,223,272

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

Pursuant to CSA Staff Notice 52-306 “(Revised) Non-GAAP Financial Measures”, non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Six Months Ended June 30,	
(In thousands of CAD dollars)	2012	2011
Operating income attributable to Unitholders	$19,999	$18,452
Finance costs – distributions to Unitholders	(35,927)	(29,621)
Decrease in net assets attributable to Unitholders	$(15,928)	$(11,169)

FFO and AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-IFRS financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-IFRS industry-wide financial measure of a real estate organization’s operating performance. AFFO is presented in this MD&A because management believes this non-IFRS measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT’s and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALpac") in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for gains or losses from sales of investment properties, depreciation and amortization expense, deferred taxes, impairment losses (or reversals) on investment properties and transaction costs expensed on an investment property acquisition accounted for as a business combination. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A calculation of FFO for the six months ended June 30, 2012 and June 30, 2011 is as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Decrease in net assets attributable to Unitholders	$(15,928)	$(11,169)	$(4,759)
Add (deduct):			
Finance costs – distributions to Unitholders	35,927	29,621	6,306
Amortization of tenant incentives	3,072	2,467	605
Depreciation of investment properties	17,012	12,605	4,407
Amortization of intangible assets	2,581	2,529	52
Amortization of deferred leasing costs	284	233	51
Taxes – deferred	(900)	500	(1,400)
FFO	$42,048	$36,786	$5,262

The FFO for the six months ended June 30, 2012 was $42,048, an increase of $5,262 or 14.3% over the same period in 2011, due primarily to the improved NOI results offset in part by increased operations finance costs.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a measure useful in evaluating the recurring economic performance of Crombie's operating activities which will be used to support future distribution payments. AFFO reflects cash available for distribution after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

Maintenance capital expenditures, Maintenance tenant incentives and Leasing costs ("Maintenance expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $1.05 per square foot to be charged against AFFO for 2012 and $1.10 per square foot for 2011. The change in rate from 2011 to 2012 reflects the growth in newer properties within the portfolio in the current and subsequent periods. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the six months ended June 30, 2012 and 2011 is as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
FFO	$42,048	$36,786	$5,262
Add (deduct):			
Amortization of effective swap agreements	2,084	2,098	(14)
Straight-line rent adjustment	(2,315)	(1,815)	(500)
Settlement of effective swap agreement	--	(1,731)	1,731
Maintenance expenditures on a square footage basis	(6,856)	(6,623)	(233)
AFFO	$34,961	$28,715	$6,246

The AFFO for the six months ended June 30, 2012 was $34,961, an increase of $6,246 or 21.8% over the same period in 2011, due primarily to the improved FFO results as previously discussed and the unfavourable swap agreement settlement in the six months ended June 30, 2011.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in) operating activities	$6,547	$3,050	$3,497
Add back (deduct):			
Finance costs – distributions to Unitholders	35,927	29,621	6,306
Settlement of effective swap agreement	--	(1,731)	1,731
Change in other non-cash operating items	930	5,917	(4,987)
Unit-based compensation expense	(17)	(29)	12
Amortization of deferred financing charges	(1,570)	(1,490)	(80)
Maintenance expenditures on a square footage basis	(6,856)	(6,623)	(233)
AFFO	$34,961	$28,715	$6,246

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the finance costs on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to finance future growth: secured short-term financing through an authorized revolving credit facility of up to $200,000, subject to available borrowing base, of which $109,000 ($122,430 including outstanding letters of credit) was drawn at June 30, 2012; the issue of new units; mortgage debt on unencumbered assets; and, unsecured convertible debentures.

Crombie's sources and uses of funds are summarized as follows:

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in):			
Operating activities	$6,547	$3,050	$3,497
Financing activities	$224,055	$43,948	$180,107
Investing activities	$(230,514)	$(52,168)	$(178,346)

Operating Activities

	Six Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$7,477	$8,967	$(1,490)
Non-cash operating items	(930)	(5,917)	4,987
Cash provided by operating activities	$6,547	$3,050	$3,497

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Six Months Ended June 30, 2012	2011	Variance
Cash provided by (used in):			
Net issue (repayment) of loans and borrowings	$110,248	$45,307	$64,941
Redemption of convertible debentures	(3,707)	--	(3,707)
Net issue of units	116,925	--	116,925
Settlement of interest rate swap agreement	--	(1,731)	1,731
Other items (net)	589	372	217
Cash provided by (used in) financing activities	$224,055	$43,948	$180,107

Cash from financing activities in the six months ended June 30, 2012 increased by $180,107 over the six months ended June 30, 2011. During the six months ended June 30, 2012, Crombie raised cash to finance the acquisitions of investment properties through the issuance of units; mortgage financing; and, through the use of Crombie's revolving credit facility.

Investing Activities

(In thousands of CAD dollars)	Six Months Ended June 30, 2012	2011	Variance
Cash provided by (used in):			
Acquisition of investment properties	$(212,901)	$(39,152)	$(173,749)
Additions to investment properties	(9,548)	(8,052)	(1,496)
Additions to tenant incentives	(7,926)	(4,734)	(3,192)
Additions to deferred leasing costs	(278)	(363)	85
Other items (net)	139	133	6
Cash used in investing activities	$(230,514)	$(52,168)	$(178,346)

Cash used in investing activities for the six months ended June 30, 2012 was $230,514. The increase of $178,346 from the same period in 2011 is reflective of the significant investment property acquisitions in the second quarter of 2012; increased additions to existing properties; and, increased tenant incentives related to leasing activity.

Tenant Improvement ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a new space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

(In thousands of CAD dollars)	Six Months Ended June 30, 2012	2011
Total additions to investment properties	$9,548	$8,052
Less: productive capacity enhancements and recoverable amounts	(6,369)	(5,490)
Maintenance capital expenditures	$3,179	$2,562

	Six Months Ended June 30,	
(In thousands of CAD dollars)	2012	2011
Total additions to TI and deferred leasing costs	$8,204	$5,097
Less: productive capacity enhancements	(505)	(837)
Maintenance TI and deferred leasing costs	$7,699	$4,260

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the six months ended June 30, 2012, are primarily payments for costs associated with tenant relocations, building interior and exterior maintenance, roof replacements and completion of parking deck and structural repairs at the Scotia Square Parkade in Halifax, Nova Scotia.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during the first six months of 2012, with the most significant costs related to the preparation of office space in Barrington Tower, Halifax, Nova Scotia for new tenants including the provincial Department of Health and Wellness.

Productive capacity enhancements during the six months ended June 30, 2012, consisted primarily of GLA expansions underway at Avalon Mall in St. John's, Newfoundland and Labrador, Niagara Plaza, Niagara Falls, Ontario, Taunton & Wilson Plaza in Oshawa, Ontario, Highland Square Mall in New Glasgow, Nova Scotia, and Beauport Plaza in Beauport, Quebec, as well as completion of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia.

Capital Structure

(In thousands of CAD dollars)	June 30, 2012		December 31, 2011		June 30, 2011	
Investment property debt	$1,096,952	57.6%	$878,007	55.4%	$857,308	57.2%
Convertible debentures	90,622	4.8%	124,351	7.9%	139,104	9.3%
Special Voting Units and Class B Limited Partnership Unitholders	301,985	15.9%	255,174	16.1%	229,827	15.3%
Crombie REIT Unitholders	413,748	21.7%	326,487	20.6%	273,543	18.2%
	$1,903,307	100.0%	$1,584,019	100.0%	$1,499,782	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $200,000 (the "revolving credit facility"), of which $109,000 was drawn as at June 30, 2012. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers acceptance rates or specified margins over prime rate. The specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility, are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at June 30, 2012, Crombie had sufficient Borrowing Base to permit $200,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of June 30, 2012, Crombie had fixed rate mortgages outstanding of $985,871 ($995,893 after including the fair value debt adjustment of $10,022), carrying a weighted average interest rate of 5.35% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.3 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months ending	Fixed Rate Debt	Floating Rate Debt	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
June 30, 2013	$17,239	$--	$17,239	2.1%	$31,191	$48,430	4.4%
June 30, 2014	92,443	--	92,443	11.2%	31,044	123,487	11.3%
June 30, 2015	47,636	109,000	156,636	18.9%	29,684	186,320	17.0%
June 30, 2016	75,005	--	75,005	9.1%	28,758	103,763	9.5%
June 30, 2017	70,867	--	70,867	8.6%	22,453	93,320	8.5%
Thereafter	414,715	--	414,715	50.1%	124,836	539,551	49.3%
Total [1]	$717,905	$109,000	$826,905	100.0%	$267,966	$1,094,871	100.0%

(1) Excludes fair value debt adjustment of $10,022 and deferred financing costs of $7,941.

Of the maturing debt balances, only 21.9% of fixed rate debt, and 32.2% of total maturing debt balances matures over the next three years.

Convertible debentures

(In thousands of CAD dollars, except per unit amounts)	7%	Series B	Series C
Issue value	$30,000	$85,000	$45,000
Outstanding amount as at June 30, 2012	$--	$47,980	$45,000
Annual interest rate (payable semi-annually)	7.00%	6.25%	5.75%
Conversion price per Unit	$13.00	$11.00	$15.30
Issue date	March 20, 2008	September 30, 2009	February 8, 2010
Maturity date	March 20, 2013	June 30, 2015	June 30, 2017
Trading symbol	CRR.DB	CRR.DB.B	CRR.DB.C

The Series B Debentures and the Series C Debentures (collectively the “Debentures”) pay interest semi-annually on June 30 and December 31 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

The Debentures are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate of approximately 90.9091 REIT Units per one thousand principal amount of Series B Debentures, and 65.3595 REIT Units per one thousand principal amount of Series C Convertible Debentures. If all conversion rights attaching to the Series B Convertible Debentures and the Series C Convertible Debentures were exercised, as at June 30, 2012, Crombie would be required to issue approximately 4,361,818 REIT Units, and 2,941,176 REIT Units, respectively, subject to anti-dilution adjustments.

The following represents debentures converted and redeemed from date of issue to July 31, 2012:

Conversion (redemption) date	Convertible debenture series	Debentures face value *(In thousands of CAD dollars)*	Units issued
January 2010 through December 2011	7%	$15	1,153
January 2010 through December 2011	Series B	32,521	2,956,429
Conversions to December 31, 2011		32,536	2,957,582
January through March 2012	7%	440	33,843
January through March 2012	Series B	1,953	177,543
April 2012	7%	1,386	106,614
April 2012	Series B	336	30,545
May 2012	7%	24,452	1,880,916
May 2012 (redemption)	7%	3,707	--
May 2012	Series B	939	85,362
June 2012	Series B	1,271	115,543
Conversions and redemptions to June 30, 2012		67,020	5,387,948
July 2012	Series B	16,859	1,532,632
Conversions and redemptions to July 31, 2012		$83,879	6,920,580

For the first three years from the date of issue, there is no ability to redeem the Debentures, after which, each series of Debentures has a period, lasting one year, during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice on redemption is given exceeds 125% of the conversion price. After the end of the four year period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

On April 18, 2012, Crombie announced it had exercised its right to redeem the remaining outstanding principal amount of its 7.00% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms the Trust Indenture. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on a conversion price of $13.00 per Unit until May 22, 2012. The redemption of the balance of the outstanding 7% Debentures was completed on May 23, 2012 for a total payment of approximately $3,707 on account of principal plus accrued interest.

Based on management's assessment, Crombie has determined to date that no amount of the debentures value should be attributed to the conversion feature. Transaction costs related to the Debentures have been deferred and are being amortized into interest over the term of the Debentures using the effective interest method.

REIT Units and Class B LP Units and the attached Special Voting Units

On March 29, 2012, Crombie closed a public offering, on a bought deal basis, of 4,630,000 REIT Units at a price of $14.50 per REIT Unit for gross proceeds of $67,135. Concurrently with the issue of the REIT Units, ECLD purchased 3,655,200 Class B LP Units and the attached Special Voting Units at a price of $14.50 per Class B LP Unit for gross proceeds of $53,000, on a private placement basis.

In March 2012 there were 28,893 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2011 – 21,417 REIT Units).

For the six months ended June 30, 2012, a total of $29,985 of 7% and $4,499 of 6.25% Series B Debentures were converted for a total of 2,430,366 REIT Units. For the year ended December 31, 2011, a total of $25,784 of 6.25% Series B Debentures were converted for a total of 2,343,981 REIT Units.

On October 20, 2011, Crombie closed a public offering, on a bought deal basis, of 3,510,000 REIT Units at a price of $12.85 per REIT Unit for gross proceeds of $45,103. Concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for gross proceeds of $30,000, on a private placement basis.

Total units outstanding at July 31, 2012 were as follows:

Units	49,803,772
Special Voting Units [(1)]	36,770,560

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 36,770,560 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

On March 31, 2011, Crombie announced a normal course issuer bid ("NCIB") where Crombie may purchase for cancellation up to 100,000 of its REIT Units during the period April 4, 2011 to April 3, 2012. Crombie acquired 21,417 REIT Units under the NCIB which expired April 3, 2012 for total consideration of $281.

Taxation of Distributions

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to unitholders.

The following table summarizes the history of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2006 per $ of distribution	40.0%	60.0%	--
2007 per $ of distribution	25.5%	74.4%	0.1%
2008 per $ of distribution	27.2%	72.7%	0.1%
2009 per $ of distribution	51.0%	49.0%	--
2010 per $ of distribution	64.7%	35.3%	--
2011 per $ of distribution	62.5%	37.5%	--

Borrowing Capacity and Debt Covenants

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain coverage ratios above prescribed levels:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of Distributable Income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any negative mark-to-market position on any interest rate swap agreements or other hedging instruments plus any outstanding letters of credit may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At June 30, 2012, the remaining amount available under the revolving credit facility was $91,000 (prior to reduction for standby letters of credit outstanding of $13,430) and was not limited by the Aggregate Coverage Amount.

At June 30, 2012, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus investment property debt and convertible debentures. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

The debt to gross book value was 52.4% at June 30, 2012 compared to 55.4% at June 30, 2011. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as outlined by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	As at Jun. 30, 2012	As at Mar. 31, 2012	As at Dec. 31, 2011	As at Sep. 30, 2011	As at Jun. 30, 2011
Fixed rate mortgages	$995,893	$850,626	$845,490	$786,188	$763,875
Convertible debentures	92,980	125,071	127,464	127,668	143,089
Revolving credit facility payable	109,000	30,000	40,000	99,716	100,159
Total debt outstanding	1,197,873	1,005,697	1,012,954	1,013,572	1,007,123
Less: Applicable fair value debt adjustment	(4,296)	(4,562)	(4,837)	(5,121)	(5,414)
Debt	$1,193,577	$1,001,135	$1,008,117	$1,008,451	$1,001,709
Investment properties, cost	$2,059,495	$1,759,684	$1,742,650	$1,670,531	$1,639,364
Below-market lease component, cost[(1)]	61,728	58,468	58,064	56,606	55,885
Intangible assets, cost	70,892	60,991	60,648	58,438	57,291
Notes receivable	2,946	3,154	3,367	3,585	3,806
Other assets, cost	115,484	106,992	89,163	85,513	86,526
Cash and cash equivalents	142	82,791	54	--	--
Deferred financing charges	10,299	10,126	10,596	10,045	10,711
Interest rate subsidy	(4,296)	(4,562)	(4,837)	(5,121)	(5,414)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	$2,277,445	$2,038,399	$1,920,460	$1,840,352	$1,808,924
Debt to gross book value	52.4%	49.1%	52.5%	54.8%	55.4%
Maximum borrowing capacity[(3)]	65%	65%	65%	65%	65%

(1) Below market lease component is included in the carrying value of investment properties.

(2) Other assets as per financial statements adjusted for accumulated amortization of tenant incentives and assets related to derecognized property.

(3) Maximum permitted by the Declaration of Trust.

Crombie, through the issuance of convertible debentures, mortgage financings, refinancings and bank debt continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the six months ended June 30, 2012 were 2.58 times EBITDA and 1.75 times EBITDA. This compares to 2.46 times EBITDA and 1.74 times EBITDA respectively for the six months ended June 30, 2011. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Six Months Ended June 30,	
(In thousands of CAD dollars)	2012	2011
Property revenue	$123,093	$112,675
Amortization of tenant incentives	3,072	2,467
Adjusted property revenue	126,165	115,142
Property operating expenses	(45,637)	(42,063)
General and administrative expenses	(6,108)	(5,361)
EBITDA (1)	$74,420	$67,718
Finance costs – operations	$32,485	$31,095
Amortization of deferred financing charges	(1,570)	(1,490)
Amortization of effective swap agreements	(2,084)	(2,098)
Adjusted interest expense (2)	$28,831	$27,507
Debt repayments	$24,535	$12,104
Amortization of fair value debt premium	(364)	(16)
Payments relating to interest rate subsidy	(542)	(692)
Payments relating to revolving credit facility	(10,000)	--
Adjusted debt repayments (3)	$13,629	$11,396
Interest service coverage ratio {(1)/(2)}	2.58	2.46
Debt service coverage ratio {(1)/((2)+(3))}	1.75	1.74

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

	Six Months Ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2012	2011
Distributions to Unitholders	$20,106	$15,923
Distributions to Special Voting Unitholders	15,821	13,698
Total distributions	$35,927	$29,621
FFO payout ratio	85.4%	80.5%
AFFO payout ratio (target ratio = 95%)	102.8%	103.2%

SECOND QUARTER RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three Months Ended June 30, 2012	2011	Variance
Property revenue	$63,646	$56,357	$7,289
Property operating expenses	22,585	20,639	(1,946)
Property NOI	41,061	35,718	5,343
NOI margin percentage	64.5%	63.4%	1.1%
Other items:			
Lease terminations	--	163	(163)
Depreciation and amortization	(11,352)	(7,610)	(3,742)
General and administrative expenses	(3,138)	(2,861)	(277)
Operating income before finance costs and income taxes	26,571	25,410	1,161
Finance costs – operations	(16,735)	(15,684)	(1,051)
Operating income before income taxes	9,836	9,726	110
Taxes – deferred	600	(600)	1,200
Operating income attributable to Unitholders	10,436	9,126	1,310
Finance costs – distributions to Unitholders	(18,760)	(14,870)	(3,890)
Decrease in net assets attributable to Unitholders	$(8,324)	$(5,744)	$(2,580)
Operating income attributable to Unitholders per Unit, Basic and Diluted	$0.12	$0.14	
Basic weighted average Units outstanding (in 000's)	83,627	66,491	
Diluted weighted average Units outstanding (in 000's)	83,813	66,672	
Distributions per Unit to Unitholders	$0.22	$0.22	

Operating income attributable to Unitholders for the three months ended June 30, 2012 of $10,436 increased by $1,310 or 14.4% from $9,126 for the three months ended June 30, 2011. The increase was primarily due to:

- higher property NOI caused by increased average rental rates, lower occupancy rates and the impact of property acquisitions during 2011 and 2012,
- higher deferred tax recovery related to increased depreciation and amortization expense.

Offset in part by:

- higher depreciation and amortization expense and finance costs in 2012 primarily related to property acquisitions; and
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth.

Property Revenue and Property Operating Expenses

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period.

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property revenue	$51,259	$50,709	$550
Acquisition, disposition and redevelopment property revenue	12,387	5,648	6,739
Property revenue	$63,646	$56,357	$7,289

Acquisition, disposition and redevelopment property revenue growth of $6,739 or 119.3% is due to acquisition and redevelopment activity in the second half of 2011 and the significant acquisitions of 27 properties in the second quarter of 2012.

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property operating expenses	$18,290	$17,971	($319)
Acquisition, disposition and redevelopment property operating expenses	4,295	2,668	(1,627)
Property operating expenses	$22,585	$20,639	($1,946)

Same-asset property expenses of $18,290 for the three months ended June 30, 2012 increased by $319 or 1.8% from the three months ended June 30, 2011 due primarily to higher recoverable property expenses.

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset property NOI	$32,969	$32,738	$231
Acquisition, disposition and redevelopment property NOI	8,092	2,980	5,112
Property NOI	$41,061	$35,718	$5,343

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended June 30, 2012 increased by $5,343 or 15.0% from the three months ended June 30, 2011. Crombie's acquisition activity accelerated in the second quarter and throughout 2011, and in 2012, resulting in significant growth in property operating results in the quarter ended June 30, 2012 compared to the same period in 2011.

Property NOI on a cash basis is as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Property NOI	$41,061	$35,718	$5,343
Non-cash straight-line rent	(1,294)	(987)	(307)
Non-cash tenant incentive amortization	1,559	1,121	438
Property cash NOI	41,326	35,852	5,474
Acquisition, disposition and redevelopment property cash NOI	8,011	3,051	4,960
Same-asset property cash NOI	$33,315	$32,801	$514

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The $514 or 1.6% increase in same-asset cash NOI for the three months ended June 30, 2012 over June 30, 2011 is primarily the result of increased average rent per square foot from leasing activity and improved recovery rates during the past 12 months.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Acquisition, disposition and redevelopment property cash NOI is as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Acquisition and disposition property cash NOI	$6,282	$629	$5,653
Redevelopment property cash NOI	1,729	2,422	(693)
Total acquisition, disposition and redevelopment property cash NOI	$8,011	$3,051	$4,960

The significant growth in acquisition and disposition property NOI reflects the property acquisitions in 2011 and 2012.

Cash NOI for redevelopment properties decreased $693 or 28.6% for the three months ended March 31, 2012 over March 31, 2011 as a result of redevelopment work at Barrington Tower in Halifax, Nova Scotia, Downsview Plaza in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick. These properties have temporary vacancies as the redevelopment work proceeds. This was offset in part by the completion of redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and causing a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

Crombie undertakes redevelopment of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months ended June 30, 2012 by province was as follows:

	2012				2011	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	Variance
Alberta	$2,239	$337	$1,902	84.9%	88.8%	(3.9)%
Manitoba	145	2	143	98.6%	--	--
New Brunswick	6,723	2,907	3,816	56.8%	57.7%	(0.9)%
Newfoundland and Labrador	8,504	2,439	6,065	71.3%	70.0%	1.3%
Nova Scotia	24,834	10,695	14,139	56.9%	57.7%	(0.8)%
Ontario	13,504	3,970	9,534	70.6%	66.1%	4.5%
Prince Edward Island	1,071	318	753	70.3%	74.9%	(4.6)%
Quebec	5,562	1,633	3,929	70.6%	69.9%	0.7%
Saskatchewan	1,064	284	780	73.3%	77.2%	(3.9)%
Total	$63,646	$22,585	$41,061	64.5%	63.4%	1.1%

The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions; in particular the acquisitions of additional freestanding properties which have a higher NOI percentage of revenue. The decrease in NOI as a percentage of revenue in Saskatchewan is due to higher recoverable expenses. The decrease in NOI as a percentage of revenue in Alberta is reflective of the first quarter of 2011 properties only including freestanding stores, while 2012 results include a retail plaza acquired in the second quarter of 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011.

Depreciation and Amortization

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset depreciation and amortization	$8,388	$7,194	($1,194)
Acquisition, disposition and redevelopment depreciation and amortization	2,964	416	(2,548)
Depreciation and amortization	$11,352	$7,610	($3,742)

Acquisition, disposition and redevelopment depreciation and amortization of $2,964 for the three months ended June 30, 2012 was $2,548 higher than the three months ended June 30, 2011. This increase is consistent with Crombie's significant acquisition activity in 2011 and 2012. Depreciation and amortization consists of:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Depreciation of investment properties	$9,771	$6,304	($3,467)
Amortization of intangible assets	1,443	1,195	(248)
Amortization of deferred leasing costs	138	111	(27)
Depreciation and amortization	$11,352	$7,610	($3,742)

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses.

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Salaries and benefits	$1,684	$1,402	$(282)
Professional fees	393	545	152
Public company costs	397	382	(15)
Rent and occupancy	203	253	50
Other	461	279	(182)
General and administrative expenses	$3,138	$2,861	$(277)
As a percentage of property revenue	4.9%	5.1%	0.2%

General and administrative expenses, as a percentage of property revenue, decreased by 0.2% for the three months ended June 30, 2012 compared to the same period in 2011. The increase of $277 or 9.7% is partially offset by an increase of 12.9% in property revenue over the same period in 2011. Salaries and benefits increased due to the hiring of additional staff related to continued growth and higher incentive payments. Other increases are primarily due to higher travel costs, training and development and increased Trustee fees and costs associated with due diligence on potential property acquisitions.

Finance Costs - Operations

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Same-asset finance costs	$11,620	$12,861	$1,241
Acquisition, disposition and redevelopment finance costs	3,198	974	(2,224)
Amortization of effective swaps and deferred financing charges	1,917	1,849	(68)
Finance costs – operations	$16,735	$15,684	$(1,051)

Same-asset finance costs for the three months ended June 30, 2012 decreased by $1,241 or 9.6% compared to the three months ended June 30, 2011 primarily due to the maturity of the interest rate swap agreement in July 2011 on the revolving credit facility resulting in greater utilization of lower cost floating rate debt and interest savings from conversions of Convertible Debentures.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $4,296 over that period. The amount of interest rate subsidy received during the three months ended June 30, 2012 was $267 (three months ended June 30, 2011 - $334).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2011 and 2012.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

Retail Freestanding Properties

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$8,125	$2,083	$10,208	$7,996	$305	$8,301
Property operating expenses	1,581	249	1,830	1,398	43	1,441
Property NOI	$6,544	$1,834	$8,378	$6,598	$262	$6,860
NOI Margin %	80.5%	88.0%	82.1%	82.5%	85.9%	82.6%
Actual occupancy %	99.8%	100%	99.9%	99.7%	100%	99.8%

Same-asset property NOI decreased slightly from 2011 due to a temporary vacancy in one property while same-asset NOI Margin percentage is lower in 2012 due to an increase in expenses paid by Crombie and recovered from tenants.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$19,652	$8,280	$27,932	$20,271	$2,533	$22,804
Property operating expenses	6,541	2,525	9,066	6,522	955	7,477
Property NOI	$13,111	$5,755	$18,866	$13,749	$1,578	$15,327
NOI Margin %	66.7%	69.5%	67.5%	67.8%	62.3%	67.2%
Actual occupancy %	93.7%	91.5%	93.1%	96.0%	96.6%	96.1%

Same-asset property NOI was impacted by reduced occupancy in 2012, offset in part by improved recovery rates compared to the same period in 2011.

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$11,600	--	$11,600	$10,797	$--	$10,797
Property operating expenses	4,122	--	4,122	4,019	--	4,019
Property NOI	$7,478	$--	$7,478	$6,778	$--	$6,778
NOI Margin %	64.5%	--%	64.5%	62.8%	--%	62.8%
Actual occupancy %	88.6%	--%	88.6%	94.6%	--%	94.6%

Property revenue increased by $803 or 7.4% on rental rate increases offset by reduced occupancy and in part by property operating expense increases of $103 or 2.6% from 2011 to 2012.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$3,973	$1,260	$5,233	$3,605	$1,761	$5,366
Property operating expenses	2,157	1,100	3,257	1,961	1,228	3,189
Property NOI	$1,816	$160	$1,976	$1,644	$533	$2,177
NOI Margin %	45.7%	12.7%	37.8%	45.6%	30.3%	40.6%
Actual occupancy %	89.5%	54.5%	76.6%	87.0%	71.0%	81.1%

During the fourth quarter of 2011, Crombie began reclassifying the monthly parking revenue earned from property office tenants at Scotia Square Parkade in Halifax, Nova Scotia from mixed use properties to office properties to better reflect the overall operating results of the offices. The impact is an increase in office properties revenue, property operating expenses, property NOI and NOI margin percentage and a decrease in mixed use properties revenue and property operating expenses. The property NOI results for acquisitions, dispositions and redevelopment properties is impacted by the temporary vacancies in Barrington Tower (former Nova Scotia Power space) in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick as these properties are being redeveloped.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$7,909	$764	$8,673	$8,040	$1,049	$9,089
Property operating expenses	3,889	421	4,310	4,071	442	4,513
Property NOI	$4,020	$343	$4,363	$3,969	$607	$4,576
NOI Margin %	50.8%	44.9%	50.3%	49.4%	57.9%	50.3%
Actual occupancy %	92.3%	77.9%	88.9%	93.4%	97.4%	94.3%

During the fourth quarter of 2011, Crombie began reclassifying the monthly parking revenue earned from property office tenants at Scotia Square Parkade in Halifax, Nova Scotia from mixed use properties to office properties to better reflect the overall operating results of the offices. The impact is a decrease in mixed use properties revenue and property operating expenses and an increase in office properties revenue, property operating expenses, property NOI and NOI margin percentage. The anticipated decrease in same-asset properties revenue is offset by an increase in parking revenue at Park Lane in Halifax, Nova Scotia.

OTHER SECOND QUARTER PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
Operating income attributable to Unitholders	$10,436	$9,126
Operating income attributable to Unitholders per unit – Basic	$0.12	$0.14
Operating income attributable to Unitholders per unit – Diluted	$0.12	$0.14
FFO – Basic	$22,747	$18,457
FFO – Diluted	$24,294	$20,752
FFO per Unit – Basic	$0.27	$0.28
FFO per Unit – Diluted	$0.26	$0.26
AFFO – Basic	$18,954	$13,456
AFFO – Diluted	$20,501	$14,563
AFFO per Unit – Basic	$0.23	$0.20
AFFO per Unit – Diluted	$0.22	$0.20

Operating income attributable to Unitholders is determined before deducting financing costs - distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, the measure commonly referred to where Units are classified as equity instruments.

The diluted FFO and AFFO are adjusted by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

Weighted average number of Units outstanding for per unit measures calculations:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011
Basic number of Units for all measures	83,626,821	66,490,960
Diluted for operating income attributable to Unitholders purposes	83,812,647	66,672,100
Diluted for FFO purposes	92,418,476	78,718,424
Diluted for AFFO purposes	92,418,476	73,470,709

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Three Months Ended June 30,	
(In thousands of CAD dollars)	2012	2011
Operating income attributable to Unitholders	$10,436	$9,126
Finance costs – distributions to Unitholders	(18,760)	(14,870)
Decrease in net assets attributable to Unitholders	$(8,324)	$(5,744)

Funds from Operations (FFO)

FFO is as previously defined in the MD&A. The calculation of FFO for the three months ended June 30, 2012 and June 30, 2011 is as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Decrease in net assets attributable to Unitholders	$(8,324)	$(5,744)	$(2,580)
Add (deduct):			
Finance costs – distributions to Unitholders	18,760	14,870	3,890
Amortization of tenant incentives	1,559	1,121	438
Depreciation of investment properties	9,771	6,304	3,467
Amortization of intangible assets	1,443	1,195	248
Amortization of deferred leasing costs	138	111	27
Taxes – deferred	(600)	600	(1,200)
FFO	$22,747	$18,457	$4,290

The increase in FFO for the quarter ended June 30, 2012 was primarily due to the significant acquisition activity during 2011 and 2012.

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in this MD&A. The calculation of AFFO for the three months ended June 30, 2012 and 2011 is as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
FFO	$22,747	$18,457	$4,290
Add (deduct):			
Amortization of effective swap agreements	1,042	1,044	(2)
Straight-line rent adjustment	(1,294)	(987)	(307)
Settlement of effective swap agreement	--	(1,731)	1,731
Maintenance expenditures on a square footage basis	(3,541)	(3,327)	(214)
AFFO	$18,954	$13,456	$5,498

The AFFO for the three months ended June 30, 2012 was $18,954, an increase of $5,498 or 40.9% over the same period in 2011, due primarily to the improved FFO results as previously discussed and the unfavourable swap agreement settlement in the three months ended June 30, 2011.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in) operating activities	$11,796	$(5,943)	$17,739
Add back (deduct):			
Finance costs – distributions to Unitholders	18,760	14,870	3,890
Settlement of effective swap agreement	--	(1,731)	1,731
Change in other non-cash operating items	(7,176)	10,406	(17,582)
Unit-based compensation expense	(10)	(14)	4
Amortization of deferred financing charges	(875)	(805)	(70)
Maintenance expenditures on a square footage basis	(3,541)	(3,327)	(214)
AFFO	$18,954	$13,456	$5,498

Sources and Uses of Funds

Crombie's sources and uses of funds are summarized as follows:

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in):			
Operating activities	$11,796	$(5,943)	$17,739
Financing activities	$119,492	$49,637	$69,855
Investing activities	$(213,937)	$(45,174)	$(168,763)

Operating Activities

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$4,620	$4,463	$157
Non-cash operating items	7,176	(10,406)	17,582
Cash provided by operating activities	$11,796	$(5,943)	$17,739

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

	Three Months Ended June 30,		
(In thousands of CAD dollars)	2012	2011	Variance
Cash provided by (used in):			
Net issue of loans and borrowings	$123,022	$51,417	$71,605
Redemption of convertible debentures	(3,707)	--	(3,707)
Settlement of interest rate swap agreement	--	(1,731)	1,731
Other items (net)	177	(49)	226
Cash provided by (used in) financing activities	$119,492	$49,637	$69,855

Cash from financing activities in the three months ended June 30, 2012 increased by $69,855 over the three months ended June 30, 2011. During the three months ended June 30, 2012, Crombie raised cash through mortgage financing and through the use of Cronbie's revolving credit facility to finance the acquisitions of investment properties.

Investing Activities

(In thousands of CAD dollars)	Three Months Ended June 30, 2012	2011	Variance
Cash provided by (used in):			
Acquisition of investment properties	$(206,645)	$(39,152)	$(167,493)
Additions to investment properties	(3,230)	(3,871)	641
Additions to tenant incentives	(4,041)	(2,100)	(1,941)
Additions to deferred leasing costs	(137)	(164)	27
Other items (net)	116	113	3
Cash used in investing activities	$(213,937)	$(45,174)	$(168,763)

Cash used in investing activities for the three months ended June 30, 2012 was $213,937. The increase of $168,763 from the same period in 2011 is reflective of the significant investment property acquisitions in the three months ended June 30, 2012; increased additions to existing properties; and, increased tenant incentives related to leasing activity.

Tenant Improvement ("TI") and Capital Expenditures

(In thousands of CAD dollars)	Three Months Ended June 30, 2012	2011
Total additions to investment properties	$3,230	$3,871
Less: productive capacity enhancements and recoverable amounts	(2,209)	(3,303)
Maintenance capital expenditures	$1,021	$568

(In thousands of CAD dollars)	Three Months Ended June 30, 2012	2011
Total additions to TI and deferred leasing costs	$4,178	$2,264
Less: productive capacity enhancements	(27)	(96)
Maintenance TI and deferred leasing costs	$4,151	$2,168

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the three months ended June 30, 2012, are primarily payments for costs associated with tenant relocations, building interior and exterior maintenance and roof replacements.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during the quarter.

Productive capacity enhancements during the three months ended June 30, 2012, consisted primarily of GLA expansions underway at Avalon Mall in St. John's, Newfoundland and Labrador, Niagara Plaza, Niagara Falls, Ontario, Taunton & Wilson Plaza in Oshawa, Ontario, and Highland Square Mall in New Glasgow, Nova Scotia.

RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2012, Empire, through its wholly-owned subsidiary ECLD, holds a 43.2% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2012	2011	2012	2011
Property revenue	(a)	$26,669	$22,834	$45,405	$40,372
Head lease income	(b)	$260	$213	$663	$356
Management support services provided	(c)	$143	$262	$346	$527
Property management services	(d)	$181	$296	$389	$561
Rental expense	(e)	$47	$47	$94	$94
Interest rate subsidy	(b)	$267	$334	$542	$692
Finance costs - operations	(f)	$156	$232	$312	$464
Finance costs - distributions to Unitholders		$8,181	$6,849	$15,821	$13,698

(a) Crombie earned property revenue from Sobeys Inc., Empire Theatres and other subsidiaries of Empire.

(b) For various periods, ECLD has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006 between CDL, Crombie Limited Partnership and ECLD. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between CDL, a subsidiary of Crombie and ECLD, a subsidiary of Empire.

(d) Certain on-site maintenance and management employees of Crombie will provide property management services to certain subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECLD. The lease expires December 2027.

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire.

In addition to the above:

- On March 29, 2012, concurrently with a public offering of units, ECLD purchased 3,655,200 Class B LP Units and the attached Special Voting Units at a price of $14.50 per Class B LP Unit for gross proceeds of $53,000, on a private placement basis.
- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of $27,490, excluding closing and transaction costs. The properties contain approximately 137,000 square feet with one located in Nova Scotia and one in Ontario. They were acquired from subsidiaries of Empire. In addition, Crombie exchanged a property with a subsidiary of Empire. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.
- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820, excluding closing and transaction costs. The properties contain approximately 131,000 square feet with two located in Ontario and one in Quebec. They were acquired from subsidiaries of Empire.
- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for proceeds of $29,823 net of issue costs, on a private placement basis.
- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire.
- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire. The properties contain approximately 261,000 square feet with two located in Nova Scotia and one in Ontario. The total price of the three acquisitions was approximately $67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire. The disposition price was $7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of $2,449.

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the period was approximately as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2012	2011	2012	2011
Salary, bonus and other short-term employee benefits	$671	$492	$1,314	$1,023
Other long-term benefits	25	19	49	105
	$696	$511	$1,363	$1,128

Critical Accounting Estimates

Critical accounting estimates are discussed under the section "Critical Accounting Estimates" in the 2011 Annual Report.

Change in useful life of investment properties

Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. During the year, management revised the useful life of two investment properties. Revisions to the estimated useful lives of investment properties constitutes a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

There have been no additional changes in the Company's significant accounting policies since that date.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Crombie has classified its financial instruments in the following categories:

- Held to maturity investments – assets related to derecognized property
- Loans and receivables – restricted cash, cash and cash equivalents, notes receivable and trade receivables
- Other financial liabilities - investment property debt, liabilities related to derecognized property, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their book value at the balance sheet date.

	June 30, 2012		June 30, 2011	
(In thousands of CAD dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to derecognized property	$6,262	$6,332	$6,537	$6,675
Investment property debt	$1,104,893	$1,203,262	$864,034	$912,242
Convertible debentures	$92,980	$111,173	$143,089	$159,590
Liabilities related to derecognized property	$5,910	$6,167	$6,086	$6,362

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 - quoted prices in active markets

Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 - inputs are not based on observable market data (unobservable inputs)

The following categorizes and summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Level 1:

Convertible debentures: The fair value of the convertible debentures is estimated based on their market trading prices at the reporting date.

Assets related to derecognized property: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Level 3:

Investment property debt and liabilities related to derecognized properties: The fair value of Crombie's investment property debt and liabilities related to derecognized property is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

COMMITMENTS AND CONTINGENCIES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these operating results.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire. Details of this agreement are disclosed in "Related Party Transactions".

Crombie obtains letters of credit to support its obligations with respect to construction work on its Investment properties, defeasing Investment property debt and satisfying mortgage financing requirements. Crombie has $2,118 in standby letters of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of $1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of $9,597 in favour of mortgage lenders. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 13 to 73 years including renewal options. For the three months and six months ended June 30, 2012, Crombie paid $305 and $605 in land lease payments to third party landlords (three and six months ended June 30, 2011 - $294 and $588 respectively).

As at June 30, 2012, Crombie has signed construction contracts totalling $16,145 of which $11,962 has been paid.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These financial risks are discussed more fully under the section "Risk Management" in the 2011 Annual Report. There has been no significant change in Crombie's risk management since that time. Risks, and the action taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectibility risks.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at June 30, 2012:

- Excluding Sobeys (which accounts for 34.3% of Crombie's minimum rent), no other tenant accounts for more than 6.9% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 6.4% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue of $26,669 for the three months ended June 30, 2012 and $45,405 for the six months ended June 30, 2012 (three months ended and six months ended June 30, 2011 - $22,834 and $40,372 respectively) from subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general balances over 30 days are considered past due. None of the receivable balances are considered impaired.

Provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk since December 31, 2011.

	Six Months Ended June 30,	
(In thousands of CAD dollars)	2012	2011
Provision for doubtful accounts, beginning of period	$401	$699
Additional provision	676	277
Recoveries	(25)	(89)
Write-offs	(161)	(239)
Provision for doubtful accounts, end of period	$891	$648

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements from time to time. As at June 30, 2012:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.3 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $200,000, subject to available borrowing base, with a balance of $109,000 utilized at June 30, 2012.

Crombie estimates that $2,059 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining two quarters of 2012, based on all settled swap agreements to June 30, 2012.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Three months ended June 30, 2012	$128	$(128)
Three months ended June 30, 2011	$172	$(172)
Six months ended June 30, 2012	$176	$(176)
Six months ended June 30, 2011	$296	$(296)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

There have been no significant changes to Crombie's interest rate risk since December 31, 2011.

Liquidity risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program and/or refinance the debt obligations as they mature.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited to the amount utilized under the facility, the amount of any outstanding letters of credit plus any unfavourable mark-to-market position on any interest rate swap agreements and cannot exceed the security provided by Crombie. Any deterioration in the mark-to-market position may reduce Crombie's available credit in the revolving credit facility.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

	Contractual	Twelve Months Ending June 30,					
(In thousands of CAD dollars)	Cash Flows[1]	2013	2014	2015	2016	2017	Thereafter
Fixed rate mortgages[2]	$1,312,679	$100,431	$171,348	$119,723	$140,975	$125,466	$654,736
Convertible debentures	114,917	5,587	5,587	53,567	2,588	47,588	--
	1,427,596	106,018	176,935	173,290	143,563	173,054	654,736
Floating rate revolving credit	119,071	3,357	3,357	112,357	--	--	--
Total	$1,546,667	$109,375	$180,292	$285,647	$143,563	$173,054	$654,736

(1) Contractual cash flows include principal and interest and ignore extension options

(2) Reduced by the interest rate subsidy payments to be received from ECLD

SUBSEQUENT EVENTS

On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures" or the "Debentures"). The Debentures have an interest rate of 5.00% per annum and will pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Debentures mature on September 30, 2019. ECL has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECLD's pre-emptive right with respect to the Debenture offering.

On July 19, 2012, Crombie declared distributions of 7.417 cents per unit for the period from July 1, 2012 to, and including, July 31, 2012. The distributions of $6,421 will be payable on August 15, 2012 to Unitholders of record as of July 31, 2012.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of June 30, 2012. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by Crombie in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding Crombie is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

In addition, our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Further, our Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the financial quarter end and have concluded that our current ICFR was effective at the financial quarter end based on that evaluation. There have been no material changes to Crombie's internal controls during the quarter.

Quarterly Information

The following table shows information for revenues, expenses, increase (decrease) in net assets attributable to Unitholders, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010
Property revenue	$63,646	$59,447	$58,682	$54,781	$56,357	$56,318	$55,693	$51,450
Property operating expenses	22,585	23,052	22,528	19,611	20,639	21,424	21,670	18,936
Property net operating income	41,061	36,395	36,154	35,170	35,718	34,894	34,023	32,514
Expenses:								
General and administrative	(3,138)	(2,970)	(2,806)	(2,487)	(2,861)	(2,500)	(1,609)	(2,627)
Finance costs - operations	(16,735)	(15,750)	(14,978)	(16,075)	(15,684)	(15,411)	(15,532)	(14,706)
Depreciation and amortization	(11,352)	(8,525)	(8,302)	(7,718)	(7,610)	(7,757)	(7,949)	(7,536)
Operating income before other items and income taxes	9,836	9,150	10,068	8,890	9,563	9,226	8,933	7,645
Other items	--	113	5	--	163	--	--	162
Operating income before income taxes	9,836	9,263	10,073	8,890	9,726	9,226	8,933	7,807
Taxes - deferred	600	300	600	200	(600)	100	300	300
Operating income	10,436	9,563	10,673	9,090	9,126	9,326	9,233	8,107
Finance costs – distributions to Unitholders	(18,760)	(17,167)	(16,530)	(15,132)	(14,870)	(14,751)	(14,702)	(14,251)
Increase (decrease) in net assets attributable to Unitholders	$(8,324)	$(7,064)	$(5,857)	$(6,042)	$(5,744)	$(5,425)	$(5,469)	$(6,144)
Basic and diluted operating income per unit	$0.12	$0.13	$0.15	$0.13	$0.14	$0.14	$0.14	$0.13

	Quarter Ended							
(In thousands of CAD dollars, except per unit amounts)	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010
AFFO	$18,954	$16,007	$16,486	$14,851	$13,456	$15,259	$15,062	$13,668
FFO	$22,747	$19,301	$19,708	$17,977	$18,457	$18,329	$18,008	$16,584
Distributions	$18,760	$17,167	$16,530	$15,132	$14,870	$14,751	$14,702	$14,251
AFFO per unit – basic	$0.23	$0.22	$0.23	$0.22	$0.20	$0.23	$0.23	$0.21
AFFO per unit - diluted[(1)]	$0.22	$0.21	$0.22	$0.22	$0.20	$0.22	$0.22	$0.21
FFO per unit – basic	$0.27	$0.26	$0.27	$0.27	$0.28	$0.28	$0.27	$0.26
FFO per unit - diluted[(1)]	$0.26	$0.25	$0.26	$0.26	$0.26	$0.26	$0.26	$0.25
Distributions per unit	$0.22	$0.22	$0.22	$0.22	$0.22	$0.22	$0.22	$0.22

(1) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number if total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions – during the three months ended June 30, 2012, Crombie acquired 15 freestanding properties and 12 retail plazas for a total purchase price of $297,448; during the first quarter of 2012, Crombie acquired a freestanding property for a purchase price of $13,800; during the fourth quarter of 2011, Crombie acquired three retail plazas and a freestanding addition to an existing property for a total purchase price of the $72,878; during the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820; during the quarter ended June 30, 2011, acquired three retail properties for a total purchase price of $49,340; during the quarter ended December 31, 2010, acquired three retail properties for $28,250; and during the quarter ended September 30, 2010, acquired nine retail properties for $84,297. The purchase prices exclude closing and transaction costs.

- Property revenue and property operating expenses - Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include such expenses as paving and roof repairs.

Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs, of $116,925 in the quarter ended March 31, 2012; of $72,858 in the quarter ended December 31, 2011; and, $48,536 in the quarter ended September 30, 2010.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: August 7, 2012
Stellarton, Nova Scotia, Canada

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(In thousands of CAD dollars)
(Unaudited)

	Note	June 30, 2012	December 31, 2011	June 30, 2011
Assets				
Non-current assets				
Investment properties	3	$ 1,921,632	$ 1,622,083	$ 1,531,833
Intangible assets	4	33,895	26,232	25,308
Other assets	5	67,252	56,436	52,194
Notes receivable	6	2,064	2,440	2,945
		2,024,843	1,707,191	1,612,280
Current assets				
Cash and cash equivalents		142	54	-
Other assets	5	32,904	20,610	25,053
Notes receivable	6	882	927	861
		33,928	21,591	25,914
Total Assets		**2,058,771**	**1,728,782**	**1,638,194**
Liabilities				
Non-current liabilities				
Investment property debt	7	1,047,229	847,201	720,729
Convertible debentures	8	90,622	124,351	139,104
Deferred taxes	9	81,500	82,400	83,200
Employee future benefits obligation	10	7,206	7,069	6,048
Trade and other payables	11	5,724	5,818	5,910
		1,232,281	1,066,839	954,991
Current liabilities				
Investment property debt	7	49,723	30,806	136,579
Employee future benefits obligation	10	214	214	212
Trade and other payables	11	60,820	49,262	43,042
		110,757	80,282	179,833
Total liabilities excluding net assets attributable to Unitholders		**1,343,038**	**1,147,121**	**1,134,824**
Net assets attributable to Unitholders		**$ 715,733**	**$ 581,661**	**$ 503,370**
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders		$ 413,748	$ 326,487	$ 273,543
Special Voting Units and Class B Limited Partnership Unitholders		301,985	255,174	229,827
		$ 715,733	**$ 581,661**	**$ 503,370**
Commitments and contingencies	21			
Subsequent events	22			

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Comprehensive Income (Loss)
(In thousands of CAD dollars)
(Unaudited)

	Note	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Property revenue	12	$ 63,646	$ 56,357	$ 123,093	$ 112,675
Property operating expenses		22,585	20,639	45,637	42,063
Net property income		**41,061**	**35,718**	**77,456**	**70,612**
Lease terminations		-	163	113	163
Depreciation of investment properties	3	(9,771)	(6,304)	(17,012)	(12,605)
Amortization of deferred leasing costs	3	(138)	(111)	(284)	(233)
Amortization of intangible assets	4	(1,443)	(1,195)	(2,581)	(2,529)
General and administrative expenses		(3,138)	(2,861)	(6,108)	(5,361)
Operating income before finance costs and income taxes		**26,571**	**25,410**	**51,584**	**50,047**
Finance costs - operations	15	(16,735)	(15,684)	(32,485)	(31,095)
Operating income before income taxes		**9,836**	**9,726**	**19,099**	**18,952**
Taxes - deferred	9	600	(600)	900	(500)
Operating income attributable to Unitholders		**10,436**	**9,126**	**19,999**	**18,452**
Finance costs - distributions to Unitholders		(18,760)	(14,870)	(35,927)	(29,621)
Decrease in net assets attributable to Unitholders		**(8,324)**	**(5,744)**	**(15,928)**	**(11,169)**
Other comprehensive income					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		1,042	1,044	2,084	2,098
Net change in derivatives designated as cash flow hedges		(60)	(208)	(60)	358
Other comprehensive income		**982**	**836**	**2,024**	**2,456**
Comprehensive income (loss)		**$ (7,342)**	**$ (4,908)**	**$ (13,904)**	**$ (8,713)**

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statement of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)
(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)							
Balance, January 1, 2012	$ 728,359	$ 151,604	$ (273,284)	$ (25,149)	$ 131	$ 581,661	$ 326,487	$ 255,174
Units released under EUPP	29	-	-	-	(29)	-	-	-
Units issued under EUPP	409	-	-	-	-	409	409	-
Loans receivable under EUPP	(409)	-	-	-	-	(409)	(409)	-
EUPP compensation	-	-	-	-	17	17	17	-
Repayment of EUPP loans receivable	257	-	-	-	-	257	257	-
Conversion of debentures	30,777	-	-	-	-	30,777	30,777	-
Statements of comprehensive income (loss)	-	19,999	(35,927)	2,024	-	(13,904)	(7,925)	(5,979)
Unit issue proceeds, net of costs of $3,210	116,925	-	-	-	-	116,925	64,135	52,790
Balance, June 30, 2012	**$ 876,347**	**$ 171,603**	**$ (309,211)**	**$ (23,125)**	**$ 119**	**$ 715,733**	**$ 413,748**	**$ 301,985**

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statement of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)
(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)							
Balance, January 1, 2011	$ 629,709	$ 113,389	$ (212,001)	$ (29,264)	$ 142	$ 501,975	$ 268,201	$ 233,774
Units released under EUPP	58	-	-	-	(58)	-	-	-
Units issued under EUPP	281	-	-	-	-	281	281	-
Loans receivable under EUPP	(281)	-	-	-	-	(281)	(281)	-
EUPP compensation	-	-	-	-	47	47	47	-
Repayment of EUPP loans receivable	231	-	-	-	-	231	231	-
Conversion of debentures	25,784	-	-	-	-	25,784	25,784	-
Units acquired and cancelled under NCIB	(281)	-	-	-	-	(281)	(281)	-
Statements of comprehensive income (loss)	-	38,215	(61,283)	4,115	-	(18,953)	(10,530)	(8,423)
Unit issue proceeds, net of costs of $2,245	72,858	-	-	-	-	72,858	43,035	29,823
Balance, December 31, 2011	**$ 728,359**	**$ 151,604**	**$ (273,284)**	**$ (25,149)**	**$ 131**	**$ 581,661**	**$ 326,487**	**$ 255,174**

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statement of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)
(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)							
Balance, January 1, 2011	$ 629,709	$ 113,389	$ (212,001)	$ (29,264)	$ 142	$ 501,975	$ 268,201	$ 233,774
Units issued under EUPP	281	-	-	-	-	281	281	-
Loans receivable under EUPP	(281)	-	-	-	-	(281)	(281)	-
EUPP compensation	-	-	-	-	29	29	29	-
Repayment of EUPP loans receivable	201	-	-	-	-	201	201	-
Conversion of debentures	10,159	-	-	-	-	10,159	10,159	-
Units acquired and cancelled under NCIB	(281)	-	-	-	-	(281)	(281)	-
Statements of comprehensive income (loss)	-	18,452	(29,621)	2,456	-	(8,713)	(4,766)	(3,947)
Balance, June 30, 2011	**$ 639,788**	**$ 131,841**	**$ (241,622)**	**$ (26,808)**	**$ 171**	**$ 503,370**	**$ 273,543**	**$ 229,827**

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(In thousands of CAD dollars)
(Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,	
Cash flows provided by (used in)	**Note**	**2012**	**2011**	**2012**	**2011**
Operating Activities					
Decrease in net assets attributable to Unitholders		$ (8,324)	$ (5,744)	$ (15,928)	$ (11,169)
Items not affecting operating cash	17	12,944	10,207	23,405	20,136
		4,620	4,463	7,477	8,967
Change in other non-cash operating items	17	7,176	(10,406)	(930)	(5,917)
Cash provided by (used in) operating activities		**11,796**	**(5,943)**	**6,547**	**3,050**
Financing Activities					
Issue of investment property debt		131,800	58,259	136,056	58,259
Increase in deferred financing charges		(1,048)	(746)	(1,273)	(848)
Repayment of investment property debt		(7,730)	(6,096)	(24,535)	(12,104)
Settlement of effective interest rate swap agreement		-	(1,731)	-	(1,731)
Redemption of convertible debentures		(3,707)	-	(3,707)	-
REIT Units and Class B LP Units issued		-	-	120,135	-
REIT Units and Class B LP Units issue costs		-	-	(3,210)	-
REIT Units acquired and cancelled under NCIB		-	(281)	-	(281)
Repayment of EUPP loans receivable		14	16	257	201
Decrease in liabilities related to derecognized property		(45)	(43)	(89)	(85)
Collection of notes receivable		208	259	421	537
Cash provided by (used in) financing activities		**119,492**	**49,637**	**224,055**	**43,948**
Investing Activities					
Acquisition of investment properties		(206,645)	(39,152)	(212,901)	(39,152)
Additions to investment properties		(3,230)	(3,871)	(9,548)	(8,052)
Additions to tenant incentives		(4,041)	(2,100)	(7,926)	(4,734)
Additions to deferred leasing costs		(137)	(164)	(278)	(363)
Decrease in assets related to derecognized property		116	113	139	133
Cash used in investing activities		**(213,937)**	**(45,174)**	**(230,514)**	**(52,168)**
Net change in cash and cash equivalents		**(82,649)**	**(1,480)**	**88**	**(5,170)**
Cash and cash equivalents, beginning of period		**82,791**	**1,480**	**54**	**5,170**
Cash and cash equivalents, end of period		**$ 142**	**$ -**	**$ 142**	**$ -**

See accompanying notes to the interim consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The interim consolidated financial statements for the three months and six months ended June 30, 2012 and June 30, 2011 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The interim consolidated financial statements were authorized for issue by the Board of Trustees on August 7, 2012.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and do not contain all of the information required by IAS 1, Presentation of Financial Statements.

(b) Basis of presentation

The interim consolidated financial statements are presented in Canadian dollars ("CAD"), Crombie's functional and reporting currency, rounded to the nearest thousand. The interim consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value through operating income ("FVTPL") or designated as available for sale, ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. In subsequent periods, when Crombie: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items on the balance sheet; it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at June 30, 2012. Subsidiaries are all entities over which Crombie has the power to control the financial and operating policies so as to benefit from its activities. All subsidiaries have a reporting date of June 30, 2012.

All intercompany transactions, balances, income and expenses are eliminated in preparing the interim consolidated financial statements. Where any unrealized losses on intercompany asset sales are reversed on consolidation, the underlying asset is also tested for impairment from an entity perspective.

Operating income (loss) and other comprehensive income (loss) of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(e) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2011.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. During the year, management revised the useful life of two investment properties. Revisions to the estimated useful lives of investment properties constitutes a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets. The impact of this change in accounting estimate resulted in an increase in depreciation expense of $1,666 to June 30, 2012 and an increase in quarterly depreciation expense of approximately $1,400.

There have been no additional changes in the Company's significant accounting policies since December 31, 2011.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2012	$ 455,713	$ 1,283,032	$ 3,905	$ 1,742,650
Acquisitions	67,222	243,317	-	310,539
Additions	5	6,037	264	6,306
Balance June 30, 2012	522,940	1,532,386	4,169	2,059,495
Accumulated depreciation and amortization				
Opening balance, January 1, 2012	-	118,914	1,653	120,567
Depreciation and amortization	-	17,012	284	17,296
Balance, June 30, 2012	-	135,926	1,937	137,863
Net carrying value, June 30, 2012	$ 522,940	$ 1,396,460	$ 2,232	$ 1,921,632

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2011	$ 418,426	$ 1,161,508	$ 3,276	$ 1,583,210
Acquisitions	39,141	113,367	-	152,508
Additions	8	21,134	629	21,771
Derecognition	(1,862)	(12,977)	-	(14,839)
Balance, December 31, 2011	455,713	1,283,032	3,905	1,742,650
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	25,849	512	26,361
Derecognition	-	(1,012)	-	(1,012)
Balance, December 31, 2011	-	118,914	1,653	120,567
Net carrying value, December 31, 2011	$ 455,713	$ 1,164,118	$ 2,252	$ 1,622,083

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2011	$ 418,426	$ 1,161,508	$ 3,276	$ 1,583,210
Acquisitions	14,617	42,338	-	56,955
Additions	4	6,785	101	6,890
Derecognition	(966)	(6,725)	-	(7,691)
Balance, June 30, 2011	432,081	1,203,906	3,377	1,639,364
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	12,605	233	12,838
Derecognition	-	(525)	-	(525)
Balance, June 30, 2011	-	106,157	1,374	107,531
Net carrying value, June 30, 2011	$ 432,081	$ 1,097,749	$ 2,003	$ 1,531,833

The estimated fair values of Crombie's investment properties are as follows:

		Fair Value		Carrying Value
June 30, 2012	$	2,334,000	$	2,022,798
December 31, 2011	$	1,918,000	$	1,703,995
June 30, 2011	$	1,821,000	$	1,608,032

Carrying value includes investment properties, intangible assets as well as accrued straight-line rent receivable and tenant incentives which are included in other assets. Fair value represents management's estimate of the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's length transaction at the date of valuation.

Investment properties have been fair valued using the methods and key assumptions as described in Crombie's audited consolidated financial statements for the year ended December 31, 2011.

As at June 30, 2012, all properties have been subjected to external, independent appraisal since January 1, 2010.

Crombie has utilized the following weighted average capitalization rates and has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

		Impact of a 0.25% change in Capitalization Rate			
	Weighted Average Capitalization Rate		Increase in Rate		Decrease in Rate
June 30, 2012	6.87%	$	(83,000)	$	89,000
December 31, 2011	7.37%	$	(64,000)	$	68,000
June 30, 2011	7.54%	$	(59,000)	$	63,000

Investment Property Acquisitions

The operating results of acquired properties are included from the respective date of acquisition.

2012

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage		Initial Purchase (Disposition) Price		Assumed Mortgages		New Mortgages
March 9, 2012	1	40,000	$	13,800	$	7,604	$	1,356
April 10, 2012	22	886,000		254,647		95,754		23,700
June 26, 2012	5	107,000		42,801		-		29,100
		1,033,000	**$**	**311,248**	**$**	**103,358**	**$**	**54,156**

All of the properties acquired during the period were from third parties. The initial purchase prices stated above exclude closing and transaction costs. The April acquisitions, after deducting assumed and new mortgage proceeds, were funded with proceeds from the March 29, 2012, $120,000 REIT and Class B LP Units offering and the floating rate revolving credit facility. The other acquisitions, after deducting assumed and new mortgage proceeds, were funded through Crombie's floating rate revolving credit facility.

2011

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage		Initial Purchase (Disposition) Price		Assumed Mortgages		New Mortgages
May 2, 2011	1	74,000	$	21,850	$	10,708	$	1,000
May 10, 2011	2	137,000		27,490		-		20,100
May 20, 2011	1	48,000		7,400		-		-
		259,000		**56,740**		**10,708**		**21,100**
May 20, 2011	(1)	(54,000)		(7,400)		-		-
		205,000	**$**	**49,340**	**$**	**10,708**	**$**	**21,100**

All of the above properties, excluding the property acquired on May 2, 2011, were acquired or exchanged with subsidiaries of Empire Company Limited, a related party. The initial purchase price for the acquired properties stated above exclude closing and transaction costs. The purchase price of the acquired property and the disposal price of the derecognized property on May 20, 2011, were based on the carrying value of the derecognized property, which approximated their respective fair values. No gain or loss on disposal was realized. The balance of the acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility.

The allocation of the total cost of the acquisitions (including closing and transaction costs) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
Investment property acquired, net:	2012	2011	2012	2011	December 31, 2011
Land	$ 64,615	$ 14,617	$ 67,222	$ 14,617	$ 39,141
Buildings	232,326	42,338	243,317	42,338	113,367
Intangible assets	9,901	1,754	10,244	1,754	5,323
Fair value debt adjustment on assumed mortgages	(4,443)	(1,506)	(4,524)	(1,506)	(1,543)
Net purchase price	302,399	57,203	316,259	57,203	156,288
Assumed mortgages	(95,754)	(10,708)	(103,358)	(10,708)	(13,585)
	$ 206,645	$ 46,495	$ 212,901	$ 46,495	$ 142,703
Consideration funded by:					
Revolving credit facility	$ 36,920	$ 25,395	$ 41,820	$ 25,395	$ 58,473
Mortgage financing	52,800	21,100	54,156	21,100	84,230
Cash from REIT Unit offering	116,925	-	116,925	-	-
Total consideration paid	$ 206,645	$ 46,495	$ 212,901	$ 46,495	$ 142,703

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2012	$ 60,648	$ 34,416	$ 26,232
Acquisitions	10,244	-	10,244
Amortization	-	2,581	(2,581)
Balance, June 30, 2012	**$ 70,892**	**$ 36,997**	**$ 33,895**
Balance, January 1, 2011	$ 55,776	$ 29,518	$ 26,258
Acquisitions	1,754	-	1,754
Amortization	-	2,529	(2,529)
Derecognition	(239)	(64)	(175)
Balance, June 30, 2011	**$ 57,291**	**$ 31,983**	**$ 25,308**

5) OTHER ASSETS

	June 30, 2012	December 31, 2011	June 30, 2011
Trade receivables	$ 13,529	$ 7,767	$ 9,152
Provision for doubtful accounts	(891)	(401)	(648)
Net trade receivables	12,638	7,366	8,504
Accrued straight-line rent receivable	20,100	17,785	16,046
Tenant incentives	47,171	37,895	34,845
Prepaid expenses and deposits	12,605	6,289	11,266
Restricted cash	1,380	1,310	49
Assets related to derecognized property	6,262	6,401	6,537
	$ 100,156	**$ 77,046**	**$ 77,247**

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 56,413	$ 18,518	$ 37,895
Additions	12,348	-	12,348
Amortization	-	3,072	(3,072)
Balance, June 30, 2012	**$ 68,761**	**$ 21,590**	**$ 47,171**
Balance, January 1, 2011	$ 46,798	$ 13,350	$ 33,448
Additions	3,866	-	3,866
Amortization	-	2,467	(2,467)
Derecognition	(3)	(1)	(2)
Balance, June 30, 2011	**$ 50,661**	**$ 15,816**	**$ 34,845**

6) NOTES RECEIVABLE

On March 23, 2006, Crombie acquired 44 properties from Empire Company Limited's subsidiary, ECL Properties Limited ("ECL") and certain affiliates, resulting in ECL Developments Limited issuing two demand non-interest bearing promissory notes in the amounts of $39,600 and $20,564. Payments on the first note of $39,600 are being received as funding is required for a capital expenditure program relating to eight commercial properties. Payments on the second note of $20,564 are being received on a monthly basis to reduce the effective interest rate to 5.54% on certain assumed mortgages with terms to maturity to April 2022. The interest rate subsidy is carried at present value.

The balance of each note is as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Capital expenditure program	$ 105	$ 105	$ 105
Interest rate subsidy	2,841	3,262	3,701
	$ 2,946	**$ 3,367**	**$ 3,806**

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2012
Fixed rate mortgages	3.33 - 6.90%	5.35%	7.3 years	$ 995,893
Floating rate revolving credit facility		3.08%	3 years	109,000
Deferred financing charges				(7,941)
				$ 1,096,952

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2011
Fixed rate mortgages	4.06 - 7.30%	5.62%	7.9 years	$ 845,490
Floating rate revolving credit facility		3.20%	2.5 years	40,000
Deferred financing charges				(7,483)
				$ 878,007

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2011
Fixed rate mortgages	4.53 - 7.30%	5.77%	7.4 years	$ 763,875
Floating rate revolving credit facility		3.20%	3.0 years	100,159
Deferred financing charges				(6,726)
				$ 857,308

As at June 30, 2012, debt retirements for the next 5 years are:

12 Months ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
June 30, 2013	$ 31,191	$ 17,239	$ -	$ 48,430
June 30, 2014	31,044	92,443	-	123,487
June 30, 2015	29,684	47,636	109,000	186,320
June 30, 2016	28,758	75,005	-	103,763
June 30, 2017	22,453	70,867	-	93,320
Thereafter	124,836	414,715	-	539,551
	$ 267,966	$ 717,905	$ 109,000	1,094,871
Deferred financing charges				(7,941)
Unamortized fair value debt adjustment				10,022
				$ 1,096,952

Specific investment properties with a carrying value of $1,921,302 as at June 30, 2012 (December 31, 2011 - $1,625,674; June 30, 2011 - $1,502,985) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage activity during 2012

Date		Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
January 20, 2012	New	1	3.33%	5	25	$ 2,900
March 9, 2012	Assumed	1	4.06%	5	20	7,604
March 9, 2012	New	1	4.06%	5	20	1,356
April 10, 2012	New	1	4.50%	15	25	2,700
April 10, 2012	New	1	3.96%	10	25	21,000
April 10, 2012	Assumed [(1)]	18	3.86%	4	22	95,754
June 26, 2012	New	1	4.15%	15	25	6,150
June 26, 2012	New	1	4.15%	10	25	7,950
June 26, 2012	New	1	4.32%	17	25	3,860
June 26, 2012	New	2	4.33%	17	25	11,140
						$ 160,414

(1) The mortgages assumed on April 10, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods on assumption.

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $200,000 (December 31, 2011 and June 30, 2011 - $150,000) and matures June 30, 2015. It is used by Crombie for working capital purposes and to provide financing for future acquisitions. It is secured by a pool of first and second mortgages on certain properties and subject to available borrowing base. The floating interest rate is based on bankers' acceptance rates or specific margins over prime rate. The specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders which increased the maximum principal amount thereof from $150,000 to $200,000.

See Note 19(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2012	December 31, 2011	June 30, 2011
7% (CRR.DB)	$ 13.00	March 20, 2013	7.00%	$ -	$ 29,985	$ 29,985
Series B (CRR.DB.B)	$ 11.00	June 30, 2015	6.25%	47,980	52,479	68,104
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	45,000	45,000	45,000
Deferred financing charges				(2,358)	(3,113)	(3,985)
				$ 90,622	**$ 124,351**	**$ 139,104**

Debenture Conversions	Conversion Price	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30, 2011
7%	$ 13.00	$ 26,278	$ -	$ -
Series B	$ 11.00	4,499	25,784	10,159
		$ 30,777	**$ 25,784**	**$ 10,159**
REIT Units Issued		2,430,366	2,343,981	923,533

As at June 30, 2012, debenture retirements for the next 5 years are:

12 Months ending	Series B	Series C	Total
June 30, 2013	$ -	$ -	$ -
June 30, 2014	-	-	-
June 30, 2015	47,980	-	47,980
June 30, 2016	-	-	-
June 30, 2017	-	45,000	45,000
Thereafter	-	-	-
	$ 47,980	$ 45,000	92,980
Deferred financing charges			(2,358)
			$ 90,622

On April 18, 2012, Crombie announced it had exercised its right to redeem the remaining outstanding principal amount of its 7.00% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms of the Trust Indenture. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on the conversion price of $13.00 per Unit until May 22, 2012. The redemption of the then outstanding 7% Debentures was completed on May 23, 2012 for a total payment of $3,707 on account of principal plus accrued interest.

9) INCOME TAXES

The deferred tax liability of the wholly-owned corporate subsidiaries which are subject to income taxes consist of the following:

	June 30, 2012	December 31, 2011	June 30, 2011
Tax liabilities relating to difference in tax and book value	$ 93,507	$ 93,837	$ 93,929
Tax asset relating to non-capital loss carry-forward	(12,007)	(11,437)	(10,729)
Deferred tax liability	**$ 81,500**	**$ 82,400**	**$ 83,200**

The income tax recovery (expense) consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Provision for income taxes at the expected rate	$ (3,073)	$ (3,008)	$ (5,968)	$ (5,922)
Tax effect of income attribution to Crombie's Unitholders	3,673	3,208	6,868	6,222
Decreased income tax resulting from a change in the expected rate	-	(800)	-	(800)
Taxes - deferred	**$ 600**	**$ (600)**	**$ 900**	**$ (500)**

There are no corporate income tax implications to Crombie from any of the components of accumulated other comprehensive income.

10) EMPLOYEE FUTURE BENEFITS

For the three months and six months ended June 30, 2012, the net defined contribution pension plans expense were $126 and $260 respectively (three months and six months ended June 30, 2011 - $117 and $335 respectively).

11) TRADE AND OTHER PAYABLES

	June 30, 2012	December 31, 2011	June 30, 2011
Tenant incentives and capital expenditures	$ 19,986	$ 19,084	$ 16,670
Property operating costs	26,500	17,231	14,064
Advance rents	3,678	3,631	3,250
Finance costs on investment property debt and debentures	4,102	3,624	3,510
Distributions payable	6,308	5,511	4,972
Fair value of interest rate swap agreements	60	-	400
Liabilities related to derecognized property	5,910	5,999	6,086
	$ 66,544	**$ 55,080**	**$ 48,952**

12) PROPERTY REVENUE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Rental revenue contractually due from tenants	$ 63,420	$ 55,864	$ 122,672	$ 111,929
Contingent rental revenue	491	627	1,178	1,398
Straight-line rent recognition	1,294	987	2,315	1,815
Tenant incentive amortization	(1,559)	(1,121)	(3,072)	(2,467)
	$ 63,646	**$ 56,357**	**$ 123,093**	**$ 112,675**

The following table sets out tenants that contribute in excess of 10% of total property revenue:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		**2011**		**2012**		**2011**	
	Revenue	**Percentage**	**Revenue**	**Percentage**	**Revenue**	**Percentage**	**Revenue**	**Percentage**
Sobeys Inc.	$ 24,421	38.4%	$ 19,419	34.5%	$ 41,201	33.5%	$ 36,645	32.5%

13) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at June 30, 2012, is as follows:

	Remaining	Year Ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Future minimum rental income	$ 96,488	$ 159,636	$ 150,306	$ 140,808	$ 131,345	$1,083,941	$ 1,762,524

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 13 to 73 years including renewal options:

	Remaining	Year Ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Future minimum lease payments	$ 637	$ 1,227	$ 1,228	$ 1,229	$ 1,231	$ 47,225	$ 52,777

14) EMPLOYEE BENEFIT EXPENSE

Crombie's payroll expenses are included in property expenses and in general and administrative expenses.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Wages and salaries	$ 3,965	$ 3,765	$ 10,017	$ 8,739
Post-employment benefits	126	117	260	335
	$ 4,091	**$ 3,882**	**$ 10,277**	**$ 9,074**

15) FINANCE COSTS – OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Fixed rate mortgages	$ 14,355	$ 12,507	$ 27,655	$ 24,876
Floating rate term, revolving and demand facilities	834	883	1,295	1,584
Convertible debentures	1,546	2,294	3,535	4,635
Finance costs - operations	**16,735**	**15,684**	**32,485**	**31,095**
Amortization of fair value debt adjustment and accretion income	622	429	1,026	864
Change in accrued finance costs	1,675	2,284	(478)	(50)
Amortization of effective swap agreements	(1,042)	(1,044)	(2,084)	(2,098)
Amortization of deferred financing charges	(875)	(805)	(1,570)	(1,490)
Finance costs - operations, paid	**$ 17,115**	**$ 16,548**	**$ 29,379**	**$ 28,321**

16) UNITS OUTSTANDING

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2012	41,181,881	$ 403,895	33,115,360	$ 324,464	74,297,241	$ 728,359
Units issued (proceeds are net of issue costs)	4,630,000	64,135	3,655,200	52,790	8,285,200	116,925
Units issued under EUPP	28,893	409	-	-	28,893	409
Units released under EUPP	-	29	-	-	-	29
Net change in EUPP loans receivable	-	(152)	-	-	-	(152)
Conversion of debentures	2,430,366	30,777	-	-	2,430,366	30,777
Balance, June 30, 2012	**48,271,140**	**$ 499,093**	**36,770,560**	**$ 377,254**	**85,041,700**	**$ 876,347**

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2011	35,327,900	$ 335,068	30,780,730	$ 294,641	66,108,630	$ 629,709
Units issued (proceeds are net of issue costs)	3,510,000	43,035	2,334,630	29,823	5,844,630	72,858
Units issued under EUPP	21,417	281	-	-	21,417	281
Units released under EUPP	-	58	-	-	-	58
Net change in EUPP loans receivable	-	(50)	-	-	-	(50)
Conversion of debentures	2,343,981	25,784	-	-	2,343,981	25,784
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, December 31, 2011	**41,181,881**	**$ 403,895**	**33,115,360**	**$ 324,464**	**74,297,241**	**$ 728,359**

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2011	35,327,900	$ 335,068	30,780,730	$ 294,641	66,108,630	$ 629,709
Units issued under EUPP	21,417	281	-	-	21,417	281
Net change in EUPP loans receivable	-	(80)	-	-	-	(80)
Conversion of debentures	923,533	10,159	-	-	923,533	10,159
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, June 30, 2011	**36,251,433**	**$ 345,147**	**30,780,730**	**$ 294,641**	**67,032,163**	**$ 639,788**

Crombie REIT Units and Crombie REIT Special Voting Units ("SVU") and Class B LP Units

On March 29, 2012, Crombie closed a public offering, on a bought deal basis, of 4,630,000 Units, at a price of $14.50 per Unit for gross proceeds of $67,135. Concurrently, with the issuance of the REIT Units, ECL Developments Limited purchased 3,655,200 Class B LP Units and the associated SVUs at a price per Class B LP Unit of $14.50 for gross proceeds of $53,000 on a private placement basis.

During the first six months of 2012, $26,278 of 7% Debentures were converted to a total of 2,021,373 REIT Units at the conversion price of $13.00 per Unit.

During the first six months of 2012, $4,499 of Series B Convertible Debentures were converted to a total of 408,993 REIT Units at the conversion price of $11.00 per Unit.

17) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Items not affecting operating cash:				
Accrued straight-line rent	$ (1,294)	$ (987)	$ (2,315)	$ (1,815)
Amortization of tenant incentives	1,559	1,121	3,072	2,467
Depreciation of investment properties	9,771	6,304	17,012	12,605
Amortization of intangible assets	1,443	1,195	2,581	2,529
Amortization of deferred leasing costs	138	111	284	233
Unit based compensation	10	14	17	29
Amortization of effective swap agreements	1,042	1,044	2,084	2,098
Amortization of deferred financing charges	875	805	1,570	1,490
Taxes – deferred	(600)	600	(900)	500
	$ 12,944	**$ 10,207**	**$ 23,405**	**$ 20,136**

b) Change in other non-cash operating items

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Cash provided by (used in):				
Trade receivables	$ (4,924)	$ (3,961)	$ (5,272)	$ (3,238)
Prepaid expenses and deposits and other assets	4,825	(4,231)	(6,386)	(5,456)
Payables and other liabilities	7,275	(2,214)	10,728	2,777
	$ 7,176	**$ (10,406)**	**$ (930)**	**$ (5,917)**

18) RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post-employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this note. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2012, Empire Company Limited, through its wholly-owned subsidiary ECL Developments Limited, holds a 43.2% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2012	**2011**	**2012**	**2011**
Property revenue	(a)	$ 26,669	$ 22,834	$ 45,405	$ 40,372
Head lease income	(b)	$ 260	$ 213	$ 663	$ 356
Management support services provided	(c)	$ 143	$ 262	$ 346	$ 527
Property management services	(d)	$ 181	$ 296	$ 389	$ 561
Rental expense	(e)	$ 47	$ 47	$ 94	$ 94
Interest rate subsidy	(b)	$ 267	$ 334	$ 542	$ 692
Finance costs - operations	(f)	$ 156	$ 232	$ 312	$ 464
Finance costs - distributions to Unitholders		$ 8,181	$ 6,849	$ 15,821	$ 13,698

(a) Crombie earned property revenue from Sobeys Inc., Empire Theatres and other subsidiaries of Empire Company Limited.

(b) For various periods, ECL Developments Limited has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006 between Crombie Developments Limited, Crombie Limited Partnership and ECL Developments Limited. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire Company Limited on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between Crombie Developments Limited, a subsidiary of Crombie, and ECL Developments Limited, a subsidiary of Empire Company Limited.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire Company Limited on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECL Developments Limited. The lease expires December 2027.

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire Company Limited.

In addition to the above:

- On March 29, 2012, concurrently with a public offering of units, ECL Developments Limited purchased 3,655,200 Class B LP Units and the attached SVUs at a price of $14.50 per Class B LP Unit for proceeds of $52,790 net of issue costs, on a private placement basis.

- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of $27,490, excluding closing and transaction costs. The properties contain approximately 137,000 square feet with one located Nova Scotia and one in Ontario. They were acquired from subsidiaries of Empire Company Limited. In addition, Crombie exchanged a property with a subsidiary of Empire Company Limited. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.

- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820, excluding closing and transaction costs. The properties contain approximately 131,000 square feet with two located in Ontario and one in Quebec. They were acquired from subsidiaries of Empire Company Limited.

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 2,334,630 Class B LP Units and the attached SVUs at a price of $12.85 per Class B LP Unit for proceeds of $29,823 net of issue costs, on a private placement basis.

- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.

- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire Company Limited. The properties contain approximately 261,000 square feet with two located in Nova Scotia and one in Ontario. The total price of the three acquisitions was approximately $67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire Company Limited. The disposition price was $7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of $2,449.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the period was approximately as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Salary, bonus and other short-term employee benefits	$ 671	$ 492	$ 1,314	$ 1,023
Other long-term benefits	25	19	49	105
	$ 696	$ 511	$ 1,363	$ 1,128

19) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their carrying value at the balance sheet date.

	June 30, 2012		December 31, 2011		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to derecognized property	$ 6,262	$ 6,332	$ 6,401	$ 6,547	$ 6,537	$ 6,675
Investment property debt	$ 1,104,893	$ 1,203,262	$ 885,490	$ 985,627	$ 864,034	$ 912,242
Convertible debentures	$ 92,980	$ 111,173	$ 127,464	$ 145,911	$ 143,089	$ 159,590
Liabilities related to derecognized property	$ 5,910	$ 6,167	$ 5,999	$ 6,350	$ 6,086	$ 6,362

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 - quoted prices in active markets

Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 - inputs are not based on observable market data (unobservable inputs)

The following categorizes and summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Level 1:

Convertible debentures: The fair value of the convertible debentures is estimated based on their market trading prices at the reporting date.

Assets related to derecognized property: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Level 3:

Investment property debt and liabilities related to derecognized property: The fair value of Crombie's investment property debt and liabilities related to derecognized property is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectability risks (Note 5).

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. There have been no significant changes to Crombie's credit risk since December 31, 2011.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Three Months Ended June 30, 2012	$ 128	$ (128)
Three Months Ended June 30, 2011	$ 172	$ (172)
Six Months Ended June 30, 2012	$ 176	$ (176)
Six Months Ended June 30, 2011	$ 296	$ (296)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

There have been no significant changes to Crombie's interest rate risk since December 31, 2011.

Liquidity risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program and/or refinance debt obligations as they mature.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

		Twelve Months Ending June 30,					
	Contractual Cash Flows[1]	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Fixed rate mortgages[2]	$ 1,312,679	$ 100,431	$ 171,348	$ 119,723	$ 140,975	$ 125,466	$ 654,736
Convertible debentures	114,917	5,587	5,587	53,567	2,588	47,588	-
	1,427,596	106,018	176,935	173,290	143,563	173,054	654,736
Floating rate revolving credit facility	119,071	3,357	3,357	112,357	-	-	-
Total	$ 1,546,667	$ 109,375	$ 180,292	$ 285,647	$ 143,563	$ 173,054	$ 654,736

(1) Contractual cash flows include principal and interest and ignore extension options.

(2) Reduced by the interest rate subsidy payments to be received from ECL Developments Limited.

There have been no significant changes to Crombie's liquidity risk since December 31, 2011.

20) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	June 30, 2012	December 31, 2011	June 30, 2011
Investment property debt	$ 1,096,952	$ 878,007	$ 857,308
Convertible debentures	90,622	124,351	139,104
Crombie REIT Unitholders	413,748	326,487	273,543
SVU and Class B LP Unitholders	301,985	255,174	229,827
	$ 1,903,307	$ 1,584,019	$ 1,499,782

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

Crombie does not include the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as net assets attributable to Unitholders, in total debt for purposes of its debt to gross book value calculation. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Fixed rate mortgages	$ 995,893	$ 845,490	$ 763,875
Convertible debentures	92,980	127,464	143,089
Revolving credit facility	109,000	40,000	100,159
Total debt outstanding	1,197,873	1,012,954	1,007,123
Less: Applicable fair value debt adjustment	(4,296)	(4,837)	(5,414)
Debt	$ 1,193,577	$ 1,008,117	$ 1,001,709
Investment properties, cost	$ 2,059,495	$ 1,742,650	$ 1,639,364
Below-market lease component, cost [(1)]	61,728	58,064	55,885
Intangible assets, cost	70,892	60,648	57,291
Notes receivable	2,946	3,367	3,806
Other assets, cost (see below)	115,484	89,163	86,526
Cash and cash equivalents	142	54	-
Deferred financing charges	10,299	10,596	10,711
Interest rate subsidy	(4,296)	(4,837)	(5,414)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)
	$ 2,277,445	$ 1,920,460	$ 1,808,924
Debt to gross book value	52.4%	52.5%	55.4%

(1) Below market lease component is included in the carrying value of investment properties.

Other assets are calculated as follows:

		June 30, 2012		December 31, 2011		June 30, 2011
Other assets per Note 5	$	100,156	$	77,046	$	77,247
Add back (deduct):						
Tenant incentive accumulated amortization		21,590		18,518		15,816
Assets related to derecognized property		(6,262)		(6,401)		(6,537)
Other assets, cost	$	115,484	$	89,163	$	86,526

As at June 30, 2012, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21) COMMITMENTS AND CONTINGENCIES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these financial statements.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire Company Limited. Details of this agreement are disclosed in “Related Party Transactions” (Note 18).

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. Crombie has $2,118 in standby letters of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of $1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of $9,597 in favour of mortgage lenders primarily related to redevelopment properties. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 13 to 73 years including renewal options. For the three months and six months ended June 30, 2012, Crombie paid $305 and $605 respectively in land lease payments to third party landlords (three months and six months ended June 30, 2011 - $294 and $588 respectively). Crombie’s commitments under the land leases are disclosed in Note 13.

As at June 30, 2012, Crombie had signed construction contracts totaling $16,145 of which $11,962 has been paid.

22) SUBSEQUENT EVENTS

(a) On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the “Series D Debentures” or the “Debentures”). The Debentures have an interest rate of 5.00% per annum and will pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Debentures mature on September 30, 2019. Empire Company Limited has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECL Developments Limited’s pre-emptive right with respect to the Debenture offering.

(b) On July 18, 2012, Crombie declared distributions of 7.417 cents per unit for the period from July 1, 2012, to and including, July 31, 2012. The distributions of $6,421 will be payable on August 15, 2012, to Unitholders of record as of July 31, 2012.

23) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie’s performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes.

24) INDEMNITIES

Crombie has agreed to indemnify its trustees and officers, and particular employees in accordance with Crombie’s policies. Crombie maintains insurance policies that may provide coverage against certain claims.

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

Donald E. Clow
Trustee, President and Chief Executive Officer

Frank C. Sobey
Trustee and Chairman

Paul D. Sobey
Trustee

David G. Graham
Independent Trustee

J. Michael Knowlton
Independent Trustee

E. John Latimer
Independent Trustee

John Eby
Independent Trustee and Lead Trustee

Elisabeth Stroback
Independent Trustee

David Leslie
Independent Trustee

Paul Beesley
Trustee

Kent R. Sobey
Independent Trustee

Brian A. Johnson
Independent Trustee

OFFICERS

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

Glenn R. Hynes
Chief Financial Officer and Secretary

Patrick G. Martin
Regional Vice President Atlantic

Gary Finkelstein
Regional Vice President Central & Western Canada

Scott R. MacLean
Senior Vice President Operations Atlantic

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UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2012

Record Date	Payment Date
January 31, 2012	February 15, 2012
February 29, 2012	March 15, 2012
March 31, 2012	April 16, 2012
April 30, 2012	May 15, 2012
May 31, 2012	June 15, 2012
June 30, 2012	July 16, 2012
July 31, 2012	August 15, 2012

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

Grant Thornton, LLP
New Glasgow, Nova Scotia

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or request to:
Glenn R. Hynes, F.C.A.
Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, Canadian Stock Transfer Company.

TRANSFER AGENT

Canadian Stock Transfer Company
1660 Hollis Street
Central Building, 4th Floor
Halifax, Nova Scotia, B3J 1V7
Telephone: (800) 387-0825
Email: inquiries@canstock.com
Website: www.canstockta.com

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact Canadian Stock Transfer Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.