Crombie REIT

BUILDING A BETTER REIT

2017 SECOND QUARTER REPORT

Six Months Ended June 30

Davie Street, Vancouver Rendering

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE QUARTER ENDED JUNE 30, 2017

INTRODUCTION

(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 and six months ended June 30, 2017, with a comparison to the financial condition and results of operations for the comparable period in 2016.

This MD&A should be read in conjunction with Crombie's interim condensed consolidated financial statements and accompanying notes for the period ended June 30, 2017, prepared in accordance with International Accounting Standards ("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, 2016, 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.

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 9, 2017, except as otherwise noted.

Forward-Looking Information

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by the following cautionary statements as well as all cautionary statements included in Crombie's December 31, 2016 MD&A which can be found on SEDAR:

(i) 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;

(ii) 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, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;

(iii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions as well as actual development costs;

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

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

(vi) statements and images under the heading "Property Development/Redevelopment" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development/Redevelopment" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with development partners and existing tenants.

These forward-looking statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. 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.

These forward-looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

Non-GAAP 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 property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted cash flow from operations ("ACFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization ("EBITDA"), interest service coverage, debt service coverage and net asset value ("NAV"). Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities.

Financial Highlights

Financial Highlights for the three and six months ended June 30, 2017 and 2016 are as follows:

	As at	
	June 30, 2017	**June 30, 2016**
Number of income-producing properties	281	284
Gross leaseable area (square feet)	19,115,000	19,360,000
Debt to gross book value - fair value basis	49.8%	50.6%

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**2017**	**2016**	**2017**	**2016**
Property revenue	$ 101,591	$ 101,031	$ 203,722	$ 195,975
Property net operating income	$ 71,798	$ 73,493	$ 142,534	$ 137,796
Operating income attributable to Unitholders	$ 96,343	$ 27,208	$ 115,327	$ 70,526
Operating income attributable to Unitholders per unit - basic	$ 0.65	$ 0.21	$ 0.77	$ 0.53
Operating income attributable to Unitholders per unit - diluted	$ 0.63	$ 0.21	$ 0.76	$ 0.53
FFO, with 2016 "as adjusted" (see FFO section)				
Basic	$ 43,335	$ 37,768	$ 87,263	$ 76,241
Diluted	$ 45,057	$ 39,490	$ 90,697	$ 79,675
Per unit – basic	$ 0.29	$ 0.29	$ 0.59	$ 0.58
Per unit – diluted	$ 0.29	$ 0.28	$ 0.58	$ 0.57
Payout ratio (%)	76.7%	80.9%	76.0%	78.5%
AFFO, with 2016 "as adjusted" (see AFFO section)				
Basic	$ 35,532	$ 30,831	$ 71,664	$ 62,267
Diluted	$ 36,506	$ 31,805	$ 73,606	$ 64,209
Per unit – basic	$ 0.24	$ 0.23	$ 0.48	$ 0.47
Per unit – diluted	$ 0.24	$ 0.23	$ 0.48	$ 0.47
Payout ratio (%) [1]	93.6%	99.0%	92.6%	96.1%
Distributions per unit	$ 0.22	$ 0.22	$ 0.45	$ 0.45
ACFO, with 2016 "as adjusted" (see ACFO section)	$ 37,705	$ 32,976	$ 74,414	$ 63,910
ACFO payout ratio (%) [1]	88.2%	92.6%	89.2%	93.7%
Interest service coverage			2.82	2.89
Debt service coverage			1.85	1.87

[1] AFFO and ACFO payout ratios are calculated using a per square foot charge for maintenance expenditures (see “AFFO” and "ACFO" sections).

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Basic number of Units for all measures	149,205,424	132,283,695	148,899,737	131,926,523
Diluted for operating income attributable to Unitholders purposes	156,660,108	132,424,550	156,358,533	132,071,862
Diluted for FFO purposes	156,660,108	139,747,818	156,358,533	139,395,130
Diluted for AFFO purposes	153,675,033	136,762,743	153,373,458	136,410,055

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.

Highlights

- FFO for the six months ended June 30, 2017 increased 14.5% to $87,263; or $0.58 per unit diluted, an increase of 1.5% per unit from the six months ended June 30, 2016.
- FFO for the three months ended June 30, 2017 increased 14.7% to $43,335; or $0.29 per unit diluted, an increase of 1.8% per unit from the three months ended June 30, 2016.
- AFFO for the six months ended June 30, 2017 increased 15.1% to $71,664; or $0.48 per unit diluted, an increase of 2.0% per unit from the six months ended June 30, 2016.

- AFFO for the three months ended June 30, 2017 increased 15.2% to $35,532; or $0.24 per unit diluted, an increase of 2.1% per unit from the three months ended June 30, 2016.
- FFO and AFFO for the six months ended June 30, 2017 have been impacted by approximately $1,059 in general and administrative expenses for professional fees related to Crombie's tax reorganization and $531 in finance costs related to the early redemption of the 5% convertible debentures. Excluding this $1,590, increases in the six months ended June 30, 2017 would have been:
    - FFO would have been $0.59 per unit diluted, an increase of $0.02 or +3.3% per unit from the six months ended June 30, 2016; and,
    - AFFO would have been $0.49 per unit diluted, an increase of $0.02 or +4.2% per unit from the six months ended June 30, 2016.
- FFO and AFFO for the three months ended June 30, 2017 have been impacted by approximately $494 in general and administrative expenses for professional fees related to Crombie's tax reorganization and $531 in finance costs related to the early redemption of the 5% convertible debentures. Excluding this $1,025, increases in the three months ended June 30, 2017 would have been:
    - FFO would have been $0.29 per unit diluted, an increase of $0.01 or +4.1% per unit from the three months ended June 30, 2016; and,
    - AFFO would have been $0.24 per unit diluted, an increase of $0.01 or +5.0% per unit from the three months ended June 30, 2016.
- ACFO for the six months ended June 30, 2017 increased 16.4% to $74,414 from the six months ended June 30, 2016.
- ACFO for the three months ended June 30, 2017 increased 14.3% to $37,705 from the three months ended June 30, 2016.
- FFO payout ratio of 76.0% for the six months ended June 30, 2017 compared to 78.5% for the same period in 2016. AFFO payout ratio of 92.6% for the six months ended June 30, 2017 compared to 96.1% for the same period in 2016. ACFO payout ratio of 89.2% for the six months ended June 30, 2017 compare to 93.7% for the same period in 2016.
- FFO payout ratio of 76.7% for the three months ended June 30, 2017 compared to 80.9% for the same period in 2016. AFFO payout ratio of 93.6% for the three months ended June 30, 2017 compared to 99.0% for the same period in 2016. ACFO payout ratio of 88.2% for the three months ended June 30, 2017 compared to 92.6% for the same period in 2016.
- Same-asset property cash NOI for the six months ended June 30, 2017 increased by 2.8% or $3,352 ($121,082 compared to $117,730 for the six months ended June 30, 2016). Increase in same-asset property cash NOI for the three months ended June 30, 2017 of 3.4% or $1,971 ($60,613 compared to $58,642 for the three months ended June 30, 2016).
- Completed acquisition of one retail property totalling 50,000 square feet from Empire Company Limited ("Empire") for a total purchase price of $8,320 before closing and transaction costs. Completed acquisition of one development property from Empire for a total purchase price of $31,252. Subsequent to June 30, 2017, completed the acquisition of one retail property totalling 61,000 square feet in Toronto, ON for a total purchase price of $42,000 before closing and transaction costs.
- 4.0% growth of property revenue for the six months ended June 30, 2017 ($203,722 versus $195,975 for the six months ended June 30, 2016). Second quarter property revenue of $101,591, an increase of $560 or 0.6% over second quarter 2016.
- Committed occupancy was 94.6% at June 30, 2017 compared with 94.4% at December 31, 2016 and 94.1% at June 30, 2016.
- Crombie's renewal activity during the six months ended June 30, 2017 included:
    - Renewals on 276,000 square feet of 2017 expiring leases at an average rate of $23.73 per square foot, an increase of 6.6% over the expiring lease rate.
- New leases and expansions increased occupancy by 212,000 square feet at June 30, 2017 at an average first year rate of $15.01 per square foot. 106,000 square feet of space was committed at June 30, 2017 at an average first year rate of $16.49 per square foot.
- Debt to gross book value (fair value basis) was 49.8% at June 30, 2017, compared to 50.6% at June 30, 2016.
- Crombie's interest service coverage for the six months ended June 30, 2017 was 2.82 times EBITDA and debt service coverage was 1.85 times EBITDA, compared to 2.89 times EBITDA and 1.87 times EBITDA, respectively, for the six months ended June 30, 2016.

Business Overview

Crombie is an unincorporated, "open-ended" real estate investment trust (REIT) 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 growth strategy focused primarily on the acquisition of grocery and drug store anchored retail properties in Canada's top markets. At June 30, 2017, Crombie owned a portfolio of 281 income-producing properties in 10 provinces, comprising approximately 19.1 million square feet of gross leaseable area ("GLA"). Empire, through a subsidiary, holds a 41.5% (fully diluted 40.3%) economic and voting interest in Crombie at June 30, 2017.

Business Objectives and Outlook and Business Environment

Crombie describes its business objectives and outlook and business environment in the MD&A for the year ended December 31, 2016.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Portfolio

At June 30, 2017, Crombie's property portfolio consisted of 281 income-producing properties that contain approximately 19.1 million square feet of GLA in all 10 provinces.

As at June 30, 2017, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2017	Acquisitions (Dispositions)	Other	June 30, 2017	Number of Income-Producing Properties	% of GLA	% of Annual Minimum Rent
AB	3,374,000	50,000	—	3,424,000	56	17.9%	20.9%
BC	1,768,000	—	11,000	1,779,000	41	9.3%	11.7%
MB	644,000	—	—	644,000	15	3.4%	4.2%
NB	1,586,000	—	14,000	1,600,000	20	8.4%	5.6%
NL	1,383,000	—	(47,000)	1,336,000	13	7.0%	9.5%
NS	5,320,000	—	(32,000)	5,288,000	43	27.7%	21.7%
ON	2,850,000	—	6,000	2,856,000	50	14.9%	15.6%
PE	104,000	—	20,000	124,000	2	0.6%	0.7%
QC	1,610,000	—	—	1,610,000	33	8.4%	7.7%
SK	454,000	—	—	454,000	8	2.4%	2.4%
Total	19,093,000	50,000	(28,000)	19,115,000	281	100.0%	100.0%

Crombie continues to diversify its geographic concentration through growth and divestiture opportunities. During the six months ended June 30, 2017, Crombie had an increase of 50,000 square feet or 0.3% growth of GLA from an acquisition of one property in Alberta. Changes in GLA included in Other in the above table include increases for additions to GLA for existing properties and decreases primarily related to GLA removals in preparation for property redevelopment.

As at June 30, 2017, our allocation of Annual Minimum Rent consists of: Atlantic Canada 37.4%; Central Canada 23.3%; and Western Canada 39.3%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the six months ended June 30, 2017 were as follows:

	Occupied space (sq. ft.)								
Province	January 1, 2017	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	June 30, 2017	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased June 30, 2017
AB	3,362,000	50,000	7,000	(3,000)	(1,000)	3,415,000	1,000	3,416,000	99.8%
BC	1,764,000	—	9,000	—	—	1,773,000	3,000	1,776,000	99.8%
MB	644,000	—	—	—	—	644,000	—	644,000	100.0%
NB	1,266,000	—	43,000	(15,000)	(19,000)	1,275,000	17,000	1,292,000	80.8%
NL	1,337,000	—	4,000	(20,000)	(24,000)	1,297,000	5,000	1,302,000	97.5%
NS	4,770,000	—	100,000	(34,000)	(13,000)	4,823,000	44,000	4,867,000	92.0%
ON	2,654,000	—	33,000	(2,000)	(41,000)	2,644,000	3,000	2,647,000	92.7%
PE	99,000	—	15,000	—	—	114,000	10,000	124,000	100.0%
QC	1,595,000	—	1,000	(3,000)	—	1,593,000	—	1,593,000	98.9%
SK	404,000	—	—	—	—	404,000	23,000	427,000	94.1%
Total	17,895,000	50,000	212,000	(77,000)	(98,000)	17,982,000	106,000	18,088,000	94.6%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) 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 decreased to 106,000 square feet at June 30, 2017, from 132,000 square feet at December 31, 2016.

Overall leased space (occupied plus committed) increased from 94.4% at December 31, 2016 to 94.6% at June 30, 2017. During the first six months of 2017, Crombie had a net increase from acquisitions and dispositions of 50,000 square feet; had new leases outpace lease expiries by 135,000 square feet, and had committed space decrease by 26,000 square feet to 106,000 square feet.

New leases and expansions increased occupancy by 212,000 square feet at June 30, 2017 at an average first year rate of $15.01 per square foot. 172,000 square feet are new leases at an average rate of $16.07 per square foot while the remaining 40,000 square feet are expansions of existing tenants at an

average rate of $10.28 per square foot. 106,000 square feet of space was committed at June 30, 2017 at an average first year rate of $16.49 per square foot.

During the six months ended June 30, 2017, Crombie renewed 276,000 square feet of 2017 anchor and non-anchor tenant lease maturities at an average rate of $23.73 per square foot, an increase of 6.6% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2017 lease maturities of $17.43 per square foot. Crombie also renewed 38,000 square feet of 2018 and later anchor and non-anchor expiring leases at an average rate of $17.54 per square foot, an increase of 8.9% over the expiring lease rate.

Sector Information

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

As at June 30, 2017, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Income-Producing Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	276	18,115,000	94.8%	96.1%	94.9%
Office	5	1,000,000	5.2%	3.9%	89.6%
Total	281	19,115,000	100.0%	100.0%	94.6%

[1] For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

As at June 30, 2016, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Income-Producing Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	279	18,371,000	94.9%	96.0%	94.3%
Office	5	989,000	5.1%	4.0%	90.0%
Total	284	19,360,000	100.0%	100.0%	94.1%

[1] For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

Retail and mixed use properties represent 94.8% of Crombie's GLA and 96.1% of annual minimum rent at June 30, 2017 compared to 94.9% of GLA and 96.0% of annual minimum rent at June 30, 2016, reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail and mixed use properties of 94.9% at June 30, 2017, increased from 94.3% at June 30, 2016. Leased space in office properties of 89.6% decreased from 90.0% at June 30, 2016.

Lease Maturities

The following table sets out as of June 30, 2017, 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 2017	126	585,000	3.0%	$ 14.64
2018	179	771,000	4.0%	18.58
2019	173	871,000	4.5%	17.15
2020	151	603,000	3.2%	19.26
2021	164	777,000	4.1%	19.15
Thereafter	773	14,481,000	75.8%	18.26
Total	1,566	18,088,000	94.6%	$ 18.17

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 rent as at June 30, 2017.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys [1]	53.0%	15.0 years
Shoppers Drug Mart	5.0%	10.9 years
Cineplex	1.4%	8.1 years
Province of Nova Scotia	1.2%	1.6 years
CIBC	1.1%	13.9 years
Lawtons/Sobeys Pharmacy	1.0%	9.9 years
Dollarama	1.0%	6.1 years
GoodLife Fitness	1.0%	9.8 years
Bank of Nova Scotia	0.9%	4.0 years
Bank of Montreal	0.9%	10.7 years
Total	66.5%	

[1] Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. The above table is based on the tenant's percentage of annual minimum rent and, other than Sobeys which accounts for 53.0% of annual minimum rent and Shoppers Drug Mart which accounts for 5.0% of annual minimum rent, no other tenant accounts for more than 1.4% of Crombie's annual minimum rent.

For the six months ended June 30, 2017, Sobeys also represents 51.0% of total property revenue. Total property revenue includes annual minimum rent as well as operating and realty tax cost recovery income and percentage rent. These additional amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs.

The weighted average remaining term of all Crombie leases is approximately 12.1 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 15.0 years.

Property Development/Redevelopment ("Development")

Property Development is a strategic priority for Crombie to improve net asset value ("NAV"), cash flow growth and Unitholder value. With urban intensification becoming an important reality across the country, Crombie management is focused on evaluating and undertaking Major Developments at certain properties, defined as properties where incremental costs to develop are projected to be greater than $50 million and where Development may include a combination of commercial and/or residential uses ("Major Developments").

Crombie believes it has the potential to unlock significant value within its current pipeline of 21 Major Development properties (four (4) Properties Under Development and 17 Potential Major Developments) over the next decade or longer. Crombie has the advantage of having solid income (FFO and AFFO) in place while working through the various approvals and advance preparations required before each Major Development can commence. In aggregate, Crombie currently achieves an in-place NOI yield of approximately 5.7% on existing asset cost for its development pipeline properties. This includes the Major Development properties acquired as part of the Safeway transaction in 2013.

Crombie enjoys option value from its strategic relationship with Sobeys. Most of our Major Development properties have Sobeys as an anchor tenant and our strategic relationship should enable us to ensure a seamless transition from existing property / store operations to construction / development of each of these sites.

Our Major Developments will be planned and executed either alone, or with partners, to complete development of mixed use properties with a focus on grocery anchored retail and purpose built rental accommodations that provides both revenue diversification and growth to Crombie. We view this approach as the optimal manner to drive both NAV and AFFO growth. In certain cases, residential condominium uses may also be considered as will certain other uses to satisfy municipal and/or market requirements. Crombie may also have the option, if desired, to monetize its density value by selling certain air rights, or purpose built rental properties to third parties in lieu of, or after, development.

Our range of options enables us, on a case by case basis, to make choices that optimize unitholder value. In today's environment where NOI yields on cost for Major Development projects are projected to be in the 5% - 6% range and where exit cap rates in markets like Vancouver and Toronto (where Crombie has 11 Major Development properties) are in a current approximate range of 3% - 4% for comparable developments, NAV creation through development can be substantial. On this basis, we believe NAV creation upwards of 100% of invested dollars is possible.

In the sections that follow (Property Under Development and Potential Major Developments), Crombie has identified 21 Major Development projects (March 31, 2017 - 19) with a total projected cost to develop these properties of $2 to $4 Billion (March 31, 2017 - $2 to $3 Billion).

Subsequent to quarter end, Crombie acquired an additional Major Development pipeline property for $42 million, a 4.5 acre site in Toronto, ON (McCowan & Ellesmere) which currently hosts a 61,000 square foot grocery anchored retail plaza. This acquisition highlights a further option value opportunity where Crombie may leverage Sobeys long term leasehold interests to acquire urban properties with highest and best use development potential.

Properties Under Development ("PUD")

Commencing this quarter, Crombie is separately disclosing its Property Under Development which applies to four Major Development projects (Belmont, Davie Street, Avalon Mall and Scotia Square).

In Q2, Crombie acquired full control, ownership and development rights of a 24 acre development site (Belmont) located at 3061, 3067 and 3143 Jacklin Rd in Victoria (Langford), BC. The site will be anchored by a Thrifty's grocery store and regional office.

	Existing Property	City, Province	Ownership %	Commercial GLA	Residential GLA	# of Residential Units	Total Development Cost Estimation (in millions)	Projected Completion Date	Accounting Classification
1.	Belmont	Victoria, BC	100%	191,000	—	—	$ 103	Phase I: Q4 2018	PUD
2.	1641 Davie Street	Vancouver, BC	100 % Commercial	53,000	—	—	30	Q1 2020	Income-Producing Property
			50% Residential	—	253,000	330	149	Q2 2020	Investment in JV
3.	Avalon Mall - Phase I	St. John's, NL	100%	—	—	—	54	Q4 2019	Income-Producing Property
4.	Scotia Square - Phase II	Halifax, NS	100%	13,000	—	—	11	Q3 2017	Income-Producing Property
				257,000	253,000	330	$ 347		

Projects shaded reflect new additions to the pipeline for the quarter.

Belmont, Victoria (Langford), British Columbia

Belmont Market is being developed as a 191,000 square foot grocery anchored mixed use centre in Victoria (Langford), BC which is 100% owned by Crombie REIT and under active development. The retail development will include a 50,000 square foot new Thrifty Foods store, a new Thrifty Office, and approximately 120,000 square feet of additional retail commercial space on 20 acres of land, expected to cost approximately $103 million. An additional 4 acres of land is under agreement to sell to a residential developer who has plans to add 437 units of low rise residential rental and market condos to the immediate area, intended to create a vibrant new community village. The anchor Thrifty's tenancy and phase I retail tenancies are scheduled to open in Fall 2018. 124,000 square feet or approximately 87% of phase I has committed leases or is in advanced stages of negotiation.

Belmont, Victoria (Langford) (rendering)

1641 Davie Street, Vancouver, British Columbia

Davie Street is a single-storey retail plaza located in a high density residential area of downtown Vancouver, BC. The site is currently anchored by a 32,000 square foot Safeway grocery store and a number of additional tenants. Crombie has entered into a partnership agreement with a Vancouver based development partner (Westbank Corp.) for the replacement of the existing retail asset with a new mixed use development. The development will include a new, larger, approximately 44,000 square foot grocery store with almost 9,000 square feet of ancillary retail space, and rental residential space totalling up to 253,000 square feet (up to 330 rental units) comprised of two residential towers with an estimated total project cost of $179 million. Crombie will retain 100% of the new commercial component and jointly own the rental residential component. Required permits and approvals have been secured and the project is scheduled to go under construction mid-September 2017.

Davie Street, Vancouver (rendering)

Avalon Mall, St. John's, Newfoundland and Labrador

Avalon Mall is a regional shopping centre located in St. John's, Newfoundland and Labrador. It is the largest enclosed shopping mall in Newfoundland and Labrador with approximately 564,000 square feet of GLA. Crombie has initiated a three year capital investment program to enhance Avalon Mall's position as the dominant enclosed mall in the province. The capital upgrades are expected to enable Crombie to continue to improve tenant mix, increase sales per square foot, and maximize NOI. The investment program began earlier this year and phase I includes construction of a four-level 875 space parking structure, redesign and realignment of the main mall vehicular access, and the redesign and phased renovation of the mall's interior common areas with an initial capital investment of $54.5 million over three years.

Avalon Mall, St. John's (rendering)

Scotia Square, Barrington Street, Halifax, Nova Scotia

Scotia Square is situated in the centre of the downtown Halifax business district at the corner of Barrington and Duke Streets. This complex is comprised of 1,600,000 square feet of office and retail space and is directly connected to two hotels. Phase I of this Major Development involved a complete re-merchandising and renovation of the food court. This project was completed in early 2014 at a construction cost of approximately $3 million. Phase II is a three-level expansion on Barrington Street of approximately 25,000 square feet (gross building area) which includes a new and modern main entrance into the complex. The expansion is comprised of new third floor office space, second floor food court expansion and seating, and new street level retail GLA totaling approximately 13,000 square feet. The three-storey glazed facade will modernize the overall image of the facility. The construction cost for Phase II is approximately $11 million. Phase II will be completed in Q3 2017. Future mixed-use development is being considered at this location.

Scotia Square, Halifax (Phase II rendering)

Potential Major Developments

In addition to Property Under Development detailed above, Crombie's current Potential Major Developments have the potential to add up to 498,000 square feet of commercial GLA and up to 7,000,000 square feet (up to 8,000 units) of residential GLA (which may include either rental or condominium units).

Based on Crombie's current estimates, total costs to develop these properties could reach $2 to $3.5 billion. Crombie may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles including financial accretion analysis and Board of Trustees approval.

As at June 30, 2017, Crombie has identified the following 17 locations as having potential to become Major Developments. Development of each property is subject to management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. The precise timing of each project is not determinable currently. The time horizon for certain of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review and completion of financial projections.

	Existing Property	**City, Province**	**Site Size**	**Existing Tenants**	**Potential Commercial Expansion**	**Potential Residential Expansion**	**Status**
1.	2733 West Broadway	Vancouver, BC	1.95 acres	Safeway	Yes	Yes	To be determined "TBD"
2.	3410 Kingsway	Vancouver, BC	3.74 acres	Safeway/Other tenants	Yes	Yes	TBD
3.	990 West 25 Avenue (King Edward)	Vancouver, BC	1.80 acres	Safeway	Yes	Yes	TBD
4.	1170 East 27 Street	North Vancouver, BC	2.82 acres	Safeway	Yes	Yes	Pre-planning
5.	1780 East Broadway	Vancouver, BC	2.43 acres	Safeway	Yes	Yes	Pre-planning
6.	Royal Oak	Vancouver, BC	2.76 acres	Safeway	Yes	Yes	TBD
7.	East Hastings	Burnaby, BC	3.30 acres	Safeway/Other tenants	Yes	Yes	TBD
8.	10355 King George Boulevard	Surrey, BC	5.07 acres	Safeway	Yes	Yes	TBD
9.	813 11 Avenue SW	Calgary, AB	2.59 acres	Safeway	Yes	Yes	TBD
10	524 Elbow Drive SW	Calgary, AB	1.60 acres	Safeway	Yes	Yes	Pre-planning
11.	410 10 Street NW	Calgary, AB	1.73 acres	Safeway	Yes	Yes	TBD
12.	10930 82 Avenue	Edmonton, AB	2.44 acres	Safeway/Other tenants	Yes	Yes	TBD
13.	Brampton Mall	Brampton, ON	8.74 acres	Retail	Yes	Yes	TBD
14.	Centennial Parkway	Hamilton, ON	2.75 acres	Retail	Yes	Yes	TBD
15.	Bronte Village	Oakville, ON	5.66 acres	Sobeys/Other tenants	Yes	Yes	Development Planning
16.	Triangle Lands	Halifax, NS	0.68 acres	Land	Yes	Yes	TBD
17.	Penhorn Lands	Dartmouth, NS	31.00 acres	Land	Yes	Yes	Pre-Planning
*	Scotia Square - Future Phases	Halifax, NS	14.47 acres	Office/Retail	Yes	Yes	TBD
*	Avalon Mall - Future Phases	St. John's, NL	50.91 acres	Retail	Yes	No	Pre-Planning

* Scotia Square Phase II and Avalon Mall Phase I are in property under development

Projects shaded reflect new additions to the pipeline for the quarter. Crombie acquired a 50% indirect interest in Centennial Parkway in Hamilton, Ontario on April 7, 2017.

Projects described as having a "development planning" status include projects where significant progress has been made in several areas of the pre-planning phase and Crombie is in the process of committing costs to undertake a Major Development.

Projects described as having a "pre-planning" status include projects that Crombie has undertaken potential development planning, which could include seeking municipal approvals for zoning, developing image renderings, seeking potential commercial and/or residential development partners, evaluation of financing options and other activities required to determine viability of the opportunity.

Properties in the Development Planning Phase

Bronte Village, 2441 Lakeshore Road West, Oakville, Ontario

Bronte Village is located in South Oakville at the intersection of the Lakeshore and Bronte Roads. The 5.66 acre property is presently developed with a single storey, multi-tenant commercial retail mall anchored by a 30,000 square foot Sobeys with a total building area of approximately 93,000 square feet. The redevelopment of Bronte Village provides an opportunity to add luxury rental residential density in a desirable area currently experiencing undersupplied market conditions. The redevelopment plan for mixed-use residential/retail requires demolition of a portion of the existing retail centre starting at Bronte Road up to the western most wall of Sobeys. In its place two new luxury rental residential towers of 10 and 14 storeys containing 478 suites and 15,000 square feet of retail are proposed to be constructed.

Bronte Village, Oakville (rendering)

Properties in the Pre - Planning Phase

1780 East Broadway (Broadway and Commercial), Vancouver, British Columbia

1780 East Broadway is located at the intersection of Commercial Drive and East Broadway in Vancouver, British Columbia. The single storey 38,000 square foot Safeway grocery store is situated at one of the busiest transit nodes in Western Canada. Crombie is currently working through the pre-rezoning application process to capitalize on the recently adopted community plan which permits up to 24 stories above the retail plinth and a floor to site ratio of 5.7.

1170 East 27th Street (Lynn Valley), North Vancouver, British Columbia

Lynn Valley is located in the District of North Vancouver in the popular Lynn Valley Towne Centre. The 2.82 acre site currently has a 36,000 square foot Safeway as the major tenant. Crombie is currently developing plans to accommodate the targeted density and meet the guidelines of the Official Community Plan, which is in place. Rezoning of this property is required prior to proceeding with any redevelopment.

524 Elbow Drive SW (Mission), Calgary, Alberta

The Mission Safeway located in the affluent Elbow Park area of Calgary currently has a 24,000 square foot grocery store located on the 1.6 acre site. The project will overlook the Elbow River and have exceptional city and mountain views when complete. Preliminary discussions with the City of Calgary will take place when market conditions improve and redevelopment of this site is warranted.

Penhorn Lands, Halifax (Dartmouth), Nova Scotia

The Penhorn Lands is a 31 acre development site located at the intersection of Highway 111 and Portland Street in Halifax (Dartmouth), Nova Scotia that was purchased from Empire Company Limited in 2016 for future mixed use redevelopment. The site currently contains a Sears store that is scheduled to close in the fall of 2017 and abuts Penhorn Plaza, a Crombie owned 103,000 square foot Sobeys anchored retail plaza. Following the departure of Sears, management expects to undertake the redevelopment in two phases. Phase I includes the redevelopment of the Sears building and development of new commercial space on approximately 4 acres of land fronting on Portland Street. This commercial development will better integrate the two Penhorn properties. Phase II is a residential development comprised of a mix of low, medium and high density units on the remaining 27 acres of land. Pre-planning for Phase I began in 2017 and Management expects to begin construction in 2018. Pre-planning for Phase II is expected to begin by the end of 2017.

Avalon Mall, St John's, Newfoundland and Labrador

Crombie is also planning phase II redevelopment of an 8.6 acre property abutting to Avalon Mall on Kenmount Road that it purchased in 2012. This redevelopment will replace two aging buildings with new retail space with modern design, provide additional parking, and integrate the redevelopment property with Avalon Mall by significantly improving vehicular and pedestrian connectivity between the two properties.

Other Property Redevelopment

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties currently under redevelopment are included in development property cash NOI and excluded from same-asset operating results until the redevelopment is complete and the operating results from the property are available for the current and comparative reporting years, at which time they are included in same-asset property operating results. Operating results from these properties are included in FFO, AFFO, ACFO, occupancy, and other measures.

Province	Property	Property GLA	Description	Estimated/ Committed Construction Cost[1]	Incurred To Date	Estimated Completion
NS	Amherst Centre	228,000	Giant Tiger	$ 607	$ 607	Complete
			Future Development	In planning	$ —	To be determined
NS	County Fair Mall-New Minas	237,000	Value Village	$ 1,020	$ 1,020	Complete
			Future Development	In planning	$ —	To be determined
NS	Downsview Mall	71,000	Phased demolition and development	$ 2,680	$ 439	Q3 2017
NS	Sydney Shopping Centre	186,000	A&W, Bank of Montreal, Great Canadian Dollar Store, Servicom, Pet Smart	$ 6,704	$ 5,931	Q3 2017
NB	Loch Lomond Place	192,000	Red Cross, Customer Contact Services & Future Development	$ 565	$ 179	To be determined
NB	Riverview Place	147,000	To be determined	In planning	$ —	To be determined
NB	1234 Main Street / 1222 Main Street	151,000	To be determined	In planning	$ —	To be determined
NB	Uptown Centre	320,000	Future Development	In Planning	$ —	To be determined
ON	Algonquin Ave Mall	211,000	Future Development	In Planning	$ —	To be determined

[1] Excludes estimated direct tenant costs

Amherst Centre - has been designated for redevelopment. Work has been completed on backfilling a portion of the vacant anchor space with a 23,000 square foot Giant Tiger opened at this site. Planning of future redevelopment of the entire centre is currently underway.

County Fair Mall - New Minas has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval. A 28,000 square foot Value Village recently opened at this site.

Downsview Mall - site redevelopment is currently under construction consisting of a new retail plaza and a pad site for St Louis Bar & Grill. The pre-leasing of the plaza is well advanced and tenant fixturing is scheduled to commence in Q3 2017.

Sydney Shopping Centre - currently under redevelopment consisting of partial demolition and redemising of remaining space. The development is under construction and expected to be completed by Q3 2017. New tenants include Servicom, Pet Smart, Bank of Montreal, A&W and Great Canadian Dollar Store.

Loch Lomond Place - has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval. We recently signed new leases with Red Cross and Customer Contact Services.

Riverview Place - has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

1234 Main Street / 1222 Main Street - Phase I redevelopment of 1234 Main Street has been completed. Initial planning of Phase II involving 1222 Main Street is underway.

Uptown Centre - consists of redemising and developing vacant anchor space in readiness for leasing. Construction will be completed in phases in conjunction with leasing. Planning and design work is currently underway and is subject to management review and approval.

Algonquin Ave Mall - consists of redemising and developing vacant anchor space in readiness for leasing. Construction will be completed in phases in conjunction with leasing. Planning and design work is currently underway and is subject to management review and approval.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	June 30, 2017	December 31, 2016	June 30, 2016
Total assets	$ 3,988,083	$ 3,963,318	$ 3,947,684
Total investment property debt and unsecured debt	$ 2,421,629	$ 2,396,199	$ 2,386,207
Debt to gross book value - fair value basis[1]	49.8%	50.3%	50.6%

[1] See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Variance	2017	2016	Variance
Property revenue	$ 101,591	$ 101,031	$ 560	$ 203,722	$ 195,975	$ 7,747
Property operating expenses	29,793	27,538	(2,255)	61,188	58,179	(3,009)
Property NOI	71,798	73,493	(1,695)	142,534	137,796	4,738
NOI margin percentage	70.7%	72.7%	(2.0)%	70.0%	70.3%	(0.3)%
Other items:						
Gain on disposal of investment properties	—	244	(244)	—	26,504	(26,504)
Depreciation and amortization	(19,826)	(17,514)	(2,312)	(39,622)	(33,964)	(5,658)
General and administrative expenses	(5,160)	(4,122)	(1,038)	(10,156)	(8,529)	(1,627)
Finance costs – operations	(26,892)	(24,793)	(2,099)	(52,852)	(49,158)	(3,694)
Income from equity accounted investments	27	—	27	27	—	27
Operating income before taxes	19,947	27,308	(7,361)	39,931	72,649	(32,718)
Taxes – current	(4)	—	(4)	(4)	(23)	19
Taxes – deferred	76,400	(100)	76,500	75,400	(2,100)	77,500
Operating income attributable to Unitholders	96,343	27,208	69,135	115,327	70,526	44,801
Finance costs – distributions to Unitholders	(33,248)	(30,538)	(2,710)	(66,363)	(59,860)	(6,503)
Finance income (costs) – change in fair value of financial instruments	1	(397)	398	102	(431)	533
Increase (decrease) in net assets attributable to Unitholders	$ 63,096	$ (3,727)	$ 66,823	$ 49,066	$ 10,235	$ 38,831
Operating income attributable to Unitholders per Unit, Basic	$ 0.65	$ 0.21		$ 0.77	$ 0.53	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.63	$ 0.21		$ 0.76	$ 0.53	
Basic weighted average Units outstanding (in 000's)	149,205	132,284		148,900	131,927	
Diluted weighted average Units outstanding (in 000's)	156,660	132,425		156,359	132,072	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.45	$ 0.45	

Operating Results

For the three months ended June 30, 2017, Operating income before taxes of $19,947 decreased by $7,361 or 27.0% compared to the three months ended June 30, 2016. The decrease was primarily due to:

- an increase in depreciation and amortization of $2,312 or 13.2% related to acquisition activity since the first quarter of 2016 and $887 related to a change in the economic life of a property designated for development. Acquisitions include approximately $492,700 in the second quarter of 2016; $26,400 in the third quarter of 2016; and $34,000 in the fourth quarter of 2016;

- an increase in finance costs - operations of $2,099 or 8.5% primarily due to acquisition activity since the first quarter of 2016, offset in part by lower rate debt on new and renewal mortgages;

- Property NOI decreased $1,695 or 2.3% with property revenue increasing $560 on net acquisition activity over the last year and increased average rental rates on lease renewals and new leases, offset by $10,344 in lease termination income recognized in the three months ended June 30, 2016; and,

- an increase in general and administrative expenses of $1,038 or 25.2% primarily related to Crombie's tax reorganization which resulted in the elimination of Crombie's most significant corporate subsidiary and related income tax liability. Costs related to the reorganization of approximately $494 are included in professional fees for the three months ended June 30, 2017.

For the six months ended June 30, 2017, Operating income before taxes of $39,931 decreased by $32,718 or 45.0% compared to the six months ended June 30, 2016. In addition to the above variance explanations for the three month period, the six months were impacted by the disposition of 10 retail properties in the first quarter of 2016, resulting in a gain on disposal of $26,260.

On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of $76,400 as at March 31, 2017 has been reduced to $NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017. Professional fees of $1,059 associated with the tax reorganization have been recorded as general and administrative expenses for the six months ended June 30, 2017 ($494 for the three months ended June 30, 2017).

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 Increase (decrease) in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2017	2016	2017	2016
Operating income attributable to Unitholders	$ 96,343	$ 27,208	$ 115,327	$ 70,526
Finance costs – distributions to Unitholders	(33,248)	(30,538)	(66,363)	(59,860)
Finance income (costs) – change in fair value of financial instruments	1	(397)	102	(431)
Increase (decrease) in net assets attributable to Unitholders	$ 63,096	$ (3,727)	$ 49,066	$ 10,235

Property NOI

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

Property NOI on a cash basis is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Property NOI	$ 71,798	$ 73,493	$ (1,695)	$ 142,534	$ 137,796	$ 4,738
Non-cash straight-line rent	(3,389)	(2,720)	(669)	(6,783)	(5,444)	(1,339)
Non-cash tenant incentive amortization	2,960	2,409	551	6,502	4,861	1,641
Property cash NOI	71,369	73,182	(1,813)	142,253	137,213	5,040
Acquisitions, dispositions and development property cash NOI	10,756	14,540	(3,784)	21,171	19,483	1,688
Same-asset property cash NOI	$ 60,613	$ 58,642	$ 1,971	$ 121,082	$ 117,730	$ 3,352

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $1,971 or 3.4% increase in same-asset cash NOI for the three months ended June 30, 2017 over the same period in 2016 is primarily the result of: increased average rent per square foot from leasing activity; rental rate increases in existing leases; improved recovery rates; revenues from land use intensifications at several properties; and, the June 2016 $58,823 investment in 10 Sobeys anchored properties which generated $1,029 in same-asset property cash NOI.

The $3,352 or 2.8% increase in same-asset cash NOI for the six months ended June 30, 2017 over the same period in 2016 was impacted by the same factors noted above.

Acquisitions, dispositions and development property cash NOI decreased $3,784 for the three months ended June 30, 2017 over the same period in 2016 primarily due to the $10,344 of Target Canada lease termination income recognized in the second quarter of 2016, offset in part by acquisitions in the second quarter of 2016.

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

Same-asset property cash NOI is as follows:

	Three months ended June 30,				Six months ended June 30,			
(In thousands of CAD dollars)	2017	2016	Variance	Percent	2017	2016	Variance	Percent
Retail and Mixed Use	$ 57,944	$ 55,864	$ 2,080	3.7 %	$ 115,704	$ 112,142	$ 3,562	3.2 %
Office	2,669	2,778	(109)	(3.9)%	5,378	5,588	(210)	(3.8)%
Same-asset property cash NOI	$ 60,613	$ 58,642	$ 1,971	3.4%	$ 121,082	$ 117,730	$ 3,352	2.8 %

Variances in same-asset property cash NOI for the three months ended June 30, 2017 compared to the same period in 2016 include:

- Retail and Mixed Use increased $2,080 or 3.7% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification and the above-noted $1,029 related to the additional investment in 10 Sobeys anchored properties.
- Office decreased $109 or 3.9% as a result of slight decreases in occupancy.

Same-asset property cash NOI for the six months ended June 30, 2017 compared to the same period in 2016 were impacted by these same factors.

Acquisitions, dispositions and development property cash NOI is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Acquisitions and dispositions property cash NOI	$ 8,336	$ 1,773	$ 6,563	$ 16,528	$ 4,561	$ 11,967
Development property cash NOI	2,420	12,767	(10,347)	4,643	14,922	(10,279)
Total acquisitions, dispositions and development property cash NOI	$ 10,756	$ 14,540	$ (3,784)	$ 21,171	$ 19,483	$ 1,688

For the three months ended June 30, 2017, acquisitions and dispositions property cash NOI increased $6,563 compared to the three months ended June 30, 2016. The increase was the result of property acquisitions in the second quarter of 2016 offset in part by property dispositions in the first and fourth quarters of 2016. For the six months ended June 30, 2017, acquisitions and dispositions property cash NOI increased $11,967 compared to the six months ended June 30, 2016 as a result of the same acquisition and disposition activity.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. Lease termination income of $10,344 from Target Canada is included in development property cash NOI for the three months and six months ended June 30, 2016.

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

Property NOI for the three and six months ended June 30, 2017 by province was as follows:

	Three months ended June 30,			Six months ended June 30,		
	2017	2016		2017	2016	
(In thousands of CAD dollars)	Property NOI	Property NOI	Variance	Property NOI	Property NOI	Variance
AB	$ 16,213	$ 13,796	$ 2,417	$ 32,265	$ 27,384	$ 4,881
BC	9,103	6,650	2,453	18,132	13,170	4,962
MB	3,351	3,381	(30)	6,723	6,749	(26)
NB	3,075	4,860	(1,785)	5,948	7,724	(1,776)
NL	6,837	6,867	(30)	14,030	14,170	(140)
NS	14,683	15,717	(1,034)	28,637	29,158	(521)
ON	10,880	15,916	(5,036)	21,543	26,762	(5,219)
PE	390	436	(46)	787	867	(80)
QC	5,548	4,128	1,420	11,043	8,233	2,810
SK	1,718	1,742	(24)	3,426	3,579	(153)
Total	$ 71,798	$ 73,493	$ (1,695)	$ 142,534	$ 137,796	$ 4,738

The significant variances in property NOI for the three months ended June 30, 2017 compared to the same period in 2016 primarily relate to:

- Alberta - property acquisitions including one in the first quarter of 2017; 10 properties acquired during 2016, including nine in the second quarter;
- British Columbia - property acquisitions including nine properties during 2016, eight in the second quarter and one in the third quarter, offset in part by the disposition of one retail property in the third quarter of 2016;
- New Brunswick - lease termination income from Target Canada in the second quarter of 2016;
- Nova Scotia - acquisition of one retail property in the second quarter of 2016; $328 from the investment in Sobeys anchored properties during the second quarter of 2016; offset in part by the disposition of three retail properties in the fourth quarter of 2016 and lease termination income from Target Canada in the second quarter of 2016;
- Ontario - lease termination income from Target Canada in the second quarter of 2016; and,
- Quebec - acquisition of 12 properties in the first six months of 2016.

The variances in property NOI for the six months ended June 30, 2017 compared to the same period in 2016 primarily relate to the same factors noted above.

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-GAAP financial measures should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP 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 REITs 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") (February 2017 white paper) in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Gain or loss on disposal of investment properties and related income tax;
- Impairment charges and recoveries;
- Depreciation and amortization expense, including amortization of tenant incentives charged against property revenue;
- Incremental internal leasing expenses;
- Deferred taxes;
- Finance costs - distributions on Crombie's REIT and Class B LP Units classified as financial liabilities; and,
- Change in fair value of financial instruments.

REALPAC provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. FFO for 2016 has been restated to include add back of incremental internal leasing expenses as recommended in REALPAC's white paper. This amount represents leasing expenses that would otherwise be capitalized if incurred by external sources. 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 as recommended by REALPAC, 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. The calculation of FFO for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Increase (decrease) in net assets attributable to Unitholders	$ 63,096	$ (3,727)	$ 66,823	$ 49,066	$ 10,235	$ 38,831
Add (deduct):						
Amortization of tenant incentives	2,960	2,409	551	6,502	4,862	1,640
Loss (gain) on disposal of investment properties	—	(244)	244	—	(26,504)	26,504
Depreciation of investment properties	18,183	16,218	1,965	35,954	31,357	4,597
Amortization of intangible assets	1,518	1,146	372	3,369	2,306	1,063
Amortization of deferred leasing costs	125	150	(25)	299	301	(2)
Internal leasing costs	606	512	94	1,212	1,024	188
Taxes – deferred	(76,400)	100	(76,500)	(75,400)	2,100	(77,500)
Finance costs – distributions to Unitholders	33,248	30,538	2,710	66,363	59,860	6,503
Finance costs (income) – change in fair value of financial instruments	(1)	397	(398)	(102)	431	(533)
FFO as calculated based on REALPAC recommendations	43,335	47,499	(4,164)	87,263	85,972	1,291
Adjustments:						
Net lease termination income from Target Canada	—	(10,344)	10,344	—	(10,344)	10,344
Subscription Receipts Adjustment Payment	—	613	(613)	—	613	(613)
FFO, as adjusted	$ 43,335	$ 37,768	$ 5,567	$ 87,263	$ 76,241	$ 11,022

For the three and six months ended June 30, 2016, Crombie is providing FFO on an adjusted basis by reducing it by $9,731. The following adjustments were made in 2016:

- During the three months ended June 30, 2016, Crombie recorded net lease termination income from Target Canada of $10,344 related to three Target Canada leases vacated in May, 2015. Due to its significant size, this amount has been deducted from FFO for both the three and six months ended June 30, 2016.

- During the three months ended June 30, 2016, Crombie issued Subscription Receipts related to a potential property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613 related to the adjustment payment, which is net of any interest earned on the funds while held in trust. This amount has been added back to FFO for both the three and six months ended June 30, 2016.

Management believes that FFO, as adjusted, is more reflective of Crombie's ongoing operating results by removing these amounts from FFO as calculated by following REALPAC recommendations. All FFO, and by extension AFFO, measures within the MD&A are based on these adjusted amounts.

For the three months ended June 30, 2017, FFO increased by $5,567 or 14.7% compared to the three months ended June 30, 2016. The increase primarily relates to improved operating results, as previously discussed, after removing tenant incentive amortization.

For the six months ended June 30, 2017, FFO increased by $11,022 or 14.5% compared to the six months ended June 30, 2016. The increase relates to the same factors noted above for the three month results. Tenant incentive amortization, which decreases operating results and is added back for FFO, increased $1,640 for the six months ended June 30, 2017 compared to the same period in 2016.

Adjusted Funds from Operations (AFFO)

Crombie follows the recommendations of REALPAC's February 2017 white paper in calculating AFFO and has applied these recommendations to the comparative AFFO amounts included in this MD&A. Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating results which will be used to support future distribution payments. AFFO reflects earnings after the adjustments in arriving at FFO (excluding internal leasing costs) and the provision for non-cash straight-line rent included in 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.

The calculation of AFFO for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
FFO as calculated based on REALPAC recommendations	$ 43,335	$ 47,499	$ (4,164)	$ 87,263	$ 85,972	$ 1,291
Add (deduct):						
Amortization of effective swap agreements	591	612	(21)	1,188	1,230	(42)
Straight-line rent adjustment	(3,389)	(2,720)	(669)	(6,783)	(5,444)	(1,339)
Internal leasing costs	(606)	(512)	(94)	(1,212)	(1,024)	(188)
Maintenance expenditures on a square footage basis	(4,399)	(4,317)	(82)	(8,792)	(8,736)	(56)
AFFO as calculated based on REALPAC recommendations	35,532	40,562	(5,030)	71,664	71,998	(334)
Adjustments:						
Net lease termination income from Target Canada	—	(10,344)	10,344	—	(10,344)	10,344
Subscription Receipts Adjustment Payment	—	613	(613)	—	613	(613)
AFFO, as adjusted	$ 35,532	$ 30,831	$ 4,701	$ 71,664	$ 62,267	$ 9,397

For the three months ended June 30, 2017, AFFO increased by $4,701 or 15.2% compared to the three months ended June 30, 2016. The increase relates to the $5,567 or 14.7% increase in FFO as previously discussed less the impact of straight-line rent increases in 2017 compared to 2016.

For the six months ended June 30, 2017, AFFO increased by $9,397 or 15.1% compared to the six months ended June 30, 2016. The increase relates to the $11,022 or 14.5% increase in FFO as previously discussed and further impacted by straight-line rent increases in 2017 compared to 2016.

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

Maintenance expenditures represent costs incurred in sustaining and maintaining existing space and exclude expenditures that are revenue enhancing. Crombie considers revenue enhancing expenditures to be costs that expand the GLA of a property, increase the property NOI by a minimum threshold, or otherwise enhance the property's overall value.

Crombie's policy is to charge AFFO and ACFO with maintenance expenditures based on a normalized rate per square foot as these expenditures are not generally incurred on a consistent basis during the year, or from year to year. Crombie also discloses actual maintenance expenditures for comparative purposes. The rate per square foot 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. For 2017, Crombie is applying a rate of $0.92 per square foot of GLA.

Crombie has applied the REALPAC February 2017 white paper on AFFO to the previously reported AFFO for 2016, resulting in an increase of $0.14 per square foot for maintenance expenditures from the previously reported rate. The increase in the previously reported 2016 rate primarily relates to Crombie's treatment of recoverable expenditures and resulted in an increased charge to AFFO of $601 for the three months ended June 30, 2016 and $1,213 for the six months ended June 30, 2016 from the previously reported amounts.

Maintenance Expenditures - Actual

	Six months ended		Three months ended		Year ended	Three months ended			
(In thousands of CAD dollars)	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Total additions to investment properties	$ 15,992	$ 11,227	$ 8,751	$ 7,241	$ 29,928	$ 10,821	$ 7,880	$ 4,291	$ 6,936
Less: revenue enhancing expenditures	(10,896)	(7,147)	(6,713)	(4,183)	(18,948)	(6,109)	(5,692)	(2,879)	(4,268)
Maintenance capital expenditures	5,096	4,080	2,038	3,058	10,980	4,712	2,188	1,412	2,668
Total additions to TI and deferred leasing costs	10,232	65,301	5,324	4,908	75,119	5,273	4,545	63,237	2,064
Less: revenue enhancing expenditures	(8,173)	(61,147)	(4,157)	(4,016)	(68,722)	(4,225)	(3,350)	(60,526)	(621)
Maintenance TI and deferred leasing costs	2,059	4,154	1,167	892	6,397	1,048	1,195	2,711	1,443
Total maintenance expenditures - actual	$ 7,155	$ 8,234	$ 3,205	$ 3,950	$ 17,377	$ 5,760	$ 3,383	$ 4,123	$ 4,111

Maintenance capital expenditures for the six months ended June 30, 2017, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Obligations for expenditures for TIs occur when renewing existing tenant leases or for new tenants occupying a 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.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2016 and 2017.

Revenue enhancing expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO or ACFO. Revenue enhancing expenditures during the six months ended June 30, 2017 consisted primarily of development work and GLA expansions at: Scotia Square, Halifax, NS; Sydney Shopping Centre, Sydney, NS; Kinlock Plaza, Stratford, PE; Rockhaven Centre, Peterborough, ON; Vaughan Harvey Plaza, Moncton, NB; Avalon Mall, St. John's, NL; and, Fort St. John, BC.

Depreciation, Amortization and Impairment

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Same-asset depreciation and amortization	$ 15,055	$ 15,194	$ 139	$ 30,852	$ 30,719	$ (133)
Acquisitions, dispositions and development depreciation/ amortization	4,771	2,320	(2,451)	8,770	3,245	(5,525)
Depreciation and amortization	$ 19,826	$ 17,514	$ (2,312)	$ 39,622	$ 33,964	$ (5,658)

Same-asset depreciation and amortization decreased by $139 for the three months ended June 30, 2017 and increased by $133 for the six months ended June 30, 2017 compared to the same periods in 2016. Same-asset depreciation and amortization will remain stable quarter over quarter as certain components of investment property are amortized over the term of tenant leases and will increase as a result of capital additions and improvements to same-asset investment properties.

Acquisitions, dispositions and development depreciation and amortization increased as a result of net acquisition activity during the first quarter of 2017 and during 2016, including the acquisition of one property in the first quarter of 2017 and the acquisition of 41 properties during 2016 and the disposition of 19 properties in 2016, including 10 properties in the first quarter of 2016. In the second quarter of 2017, a property in Vancouver was moved from same-asset to acquisitions, dispositions and development to reflect the change in its status. The economic life of the building was also amended resulting in an increase of $887 in depreciation and amortization.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $886,564 at June 30, 2017 (June 30, 2016 - $816,698). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized

until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

General and Administrative Expenses

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

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Salaries and benefits	$ 2,870	$ 2,608	$ (262)	$ 5,577	$ 5,504	$ (73)
Professional fees	794	405	(389)	1,766	827	(939)
Public company costs	585	424	(161)	1,038	881	(157)
Rent and occupancy	229	196	(33)	481	423	(58)
Other	682	489	(193)	1,294	894	(400)
General and administrative expenses	$ 5,160	$ 4,122	$ (1,038)	$ 10,156	$ 8,529	$ (1,627)
As a percentage of property revenue	5.1%	4.1%	(1.0)%	5.0%	4.4%	(0.6)%

For the three months ended June 30, 2017, general and administrative expenses, as a percentage of property revenue, were 5.1%, an increase of 1.0% from the same period in 2016, with expenses increasing $1,038 or 25.2% and property revenue increasing 0.6%. For the six months ended June 30, 2017, general and administrative expenses, as a percentage of property revenue, increased 0.6% compared to the six months ended June 30, 2016, with expenses increasing $1,627 or 19.1% and property revenue increasing by 4.0%. Effective June 30, 2017, Crombie underwent a tax reorganization which resulted in the elimination of the $76,400 deferred tax liability associated with Crombie's most significant corporate subsidiary. Costs related to the reorganization of approximately $494 are included in professional fees for the three months ended June 30, 2017 and approximately $1,059 for the six months ended June 30, 2017. Excluding these costs, general and administrative expenses represent 4.6% of property revenue for the three months ended June 30, 2017 and 4.5% of property revenue for the six months ended June 30, 2017.

General and administrative expenses also increased due to increases in employee recruitment, transition, hiring and development costs.

Finance Costs - Operations

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Finance costs	$ 24,780	$ 22,800	$ (1,980)	$ 49,196	$ 45,719	$ (3,477)
Subscription Receipts Adjustment Payment	—	613	613	—	613	613
Amortization of effective swaps and deferred financing charges	2,112	1,380	(732)	3,656	2,826	(830)
Finance costs – operations	$ 26,892	$ 24,793	$ (2,099)	$ 52,852	$ 49,158	$ (3,694)

Finance costs for the three and six months ended June 30, 2017 increased by $1,980 and $3,477, respectively, compared to the same periods in 2016. The increases relate to the significant acquisition activity in 2016 funded with proceeds from dispositions, new mortgages and the issuance of new units. The increases were partly offset by lower interest rates on new and refinanced debt.

During the three months ended June 30, 2016, Crombie issued Subscription Receipts related to a property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613, which is net of interest earned on the funds while they were held in trust.

On June 2, 2017, Crombie announced the early redemption of its 5.00% Convertible Debentures maturing September 30, 2019. The early redemption, which occurred July 4, 2017, resulted in $531 of accelerated amortization of deferred financing charges during the three months ended June 30, 2017.

Finance Costs - Distributions

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.

Details of distributions to Unitholders are as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2017	2016	2017	2016
Distributions to Unitholders	$ 19,654	$ 18,070	$ 39,231	$ 35,428
Distributions to Special Voting Unitholders	13,594	12,468	27,132	24,432
Total distributions	$ 33,248	$ 30,538	$ 66,363	$ 59,860
FFO payout ratio	76.7%	80.9%	76.0%	78.5%
AFFO payout ratio	93.6%	99.0%	92.6%	96.1%
ACFO payout ratio	88.2%	92.6%	89.2%	93.7%

The increase in distributions relates to the issuance of 8,952,400 REIT Units and 6,353,741 Class B LP Units and attached Special Voting Units on June 29, 2016 as well as units issued under Crombie's distribution reinvestment plan (the "DRIP").

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 2016 and continues to do so. 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.

Effective June 30, 2017, Crombie underwent a tax reorganization, as approved by unitholders, which resulted in the elimination of the deferred tax liability of $76,400 associated with its most significant corporate subsidiary.

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 last five years of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Dividend Income	Capital Gains
2016 per $ of distribution	24.9%	54.5%	0.0%	20.6%
2015 per $ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per $ of distribution	64.4%	18.1%	0.0%	17.5%
2013 per $ of distribution	90.2%	9.8%	0.0%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%	0.0%

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 fund the finance costs on debt, general and administrative expenses, reinvestment in the portfolio through capital expenditures, as well as funding TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized revolving credit facility, maturing June 30, 2021, of up to $400,000, subject to available borrowing base, of which $12,058 ($17,385 including outstanding letters of credit) was drawn at June 30, 2017;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2019, of up to $100,000, of which $30,000 was drawn at June 30, 2017;

(iii) secured mortgage and term debt on unencumbered assets;

(iv) the issuance of additional senior unsecured notes;

(v) the issuance of additional unsecured convertible debentures; and,

(vi) the issuance of new units.

Capital Structure

(In thousands of CAD dollars)	June 30, 2017		December 31, 2016		June 30, 2016	
Investment property debt	$ 1,813,828	46.8%	$ 1,865,477	49.3%	$ 1,856,047	49.2%
Senior unsecured notes	474,827	12.2%	398,588	10.5%	398,334	10.5%
Convertible debentures	132,974	3.4%	132,134	3.5%	131,826	3.5%
Crombie REIT Unitholders	873,700	22.5%	834,203	22.0%	833,039	22.1%
Special Voting Units and Class B Limited Partnership Unitholders	583,615	15.1%	555,943	14.7%	554,842	14.7%
	$ 3,878,944	100.0%	$ 3,786,345	100.0%	$ 3,774,088	100.0%

Liquidity and Financing Sources

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $400,000 (the “revolving credit facility”), with a maturity date of June 30, 2021, of which $12,058 ($17,385 including outstanding letters of credit) was drawn as at June 30, 2017. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. Borrowings under the revolving credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie’s unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. 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, 2017, Crombie had sufficient Borrowing Base to permit $400,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See “Borrowing Capacity and Debt Covenants”.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000, of which $30,000 was drawn as at June 30, 2017, and matures May 16, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie’s unsecured bond rating with DBRS.

Mortgage debt

As of June 30, 2017, Crombie had fixed rate mortgages outstanding of $1,780,336 ($1,783,294 after including the fair value debt adjustment of $2,958), carrying a weighted average interest rate of 4.34% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 5.8 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”). Crombie currently has no such outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
June 30, 2018	$ 76,272	$ —	$ 76,272	5.3%	$ 53,954	$ 130,226	7.2%
June 30, 2019	13,706	42,058	55,764	3.8%	53,631	109,395	6.0%
June 30, 2020	282,818	—	282,818	19.4%	50,989	333,807	18.3%
June 30, 2021	63,173	—	63,173	4.3%	46,477	109,650	6.0%
June 30, 2022	206,411	—	206,411	14.2%	43,296	249,707	13.7%
Thereafter	771,092	—	771,092	53.0%	118,517	889,609	48.8%
Total [1]	$ 1,413,472	$ 42,058	$ 1,455,530	100.0%	$ 366,864	$ 1,822,394	100.0%

[1] Excludes fair value debt adjustment of $2,958 and deferred financing charges of $11,524.

Of the maturing debt balances, only 26.4% of fixed rate debt and 28.5% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	June 30, 2017	December 31, 2016	June 30, 2016
Series A	October 31, 2018	3.986%	$ 175,000	$ 175,000	$ 175,000
Series B	June 1, 2021	3.720%	175,000	100,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000	125,000
Unamortized Series B issue premium			1,518	240	267
Deferred financing charges			(1,691)	(1,652)	(1,933)
			$ 474,827	$ 398,588	$ 398,334

On March 3, 2017, Crombie issued, on a private placement basis, an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes"), maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of $1,018.84 per $1,000 principal amount plus accrued interest.

There are no required periodic principal payments, with the full face value of the Notes due on their respective maturity dates.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	June 30, 2017	December 31, 2016	June 30, 2016
Series D (CRR.DB.D)	$ 20.10	July 4, 2017	5.00%	$ 60,000	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400	74,400
Deferred financing charges				(1,426)	(2,266)	(2,574)
				$ 132,974	$ 132,134	$ 131,826

Maximum REIT Units issuable at June 30, 2017 was 4,338,192 for Series E Debentures.

On July 4, 2017, Crombie exercised its right to redeem its 5.00% Series D Convertible Unsecured Subordinated Debentures maturing on September 30, 2019 (the “Debentures”) in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures $1,013.01 per $1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

The Series E Debentures (issued August 14, 2013) pay interest semi-annually on March 31 and September 30 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.

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years, during which the convertible 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 of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time 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 convertible 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 convertible

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, convertible debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

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

For the six months ended June 30, 2017, Crombie issued 705,979 REIT Units and 500,680 Class B LP Units under its DRIP at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at July 31, 2017, were as follows:

Units	88,560,333
Special Voting Units [1]	61,253,349

[1] Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,253,349 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are exchangeable for Units on a one-for-one basis.

In addition to the total units outstanding at July 31, 2017, Crombie has convertible debentures which could result in a total of 4,338,192 REIT Units being issued should all outstanding debentures be converted.

Sources and Uses of Funds

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Operating activities	$ (525)	$ 7,446	$ (7,971)	$ 31,453	$ 12,255	$ 19,198
Financing activities	33,802	541,907	(508,105)	22,672	408,949	(386,277)
Investing activities	(33,277)	(549,353)	516,076	(54,125)	(422,261)	368,136
Net change during the period	$ —	$ —	$ —	$ —	$ (1,057)	$ 1,057

Operating Activities

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	$ 16,132	$ 20,347	$ (4,215)	$ 32,720	$ 32,508	$ 212
Non-cash operating items	(16,657)	(12,901)	(3,756)	(1,267)	(20,253)	18,986
Cash provided by (used in) operating activities	$ (525)	$ 7,446	$ (7,971)	$ 31,453	$ 12,255	$ 19,198

For the three months ended June 30, 2017, cash from operating activities decreased by $7,971 over the same period in 2016. Cash from operations decreased $4,215 primarily due to the $10,344 of lease termination income from Target Canada in the second quarter of 2016, offset in part by improved operating results. The decrease of $3,756 in non-cash operating items primarily relates to an increase in prepaid expenses and deposits as well as decreased payables, offset in part by a decrease in trade receivables from improved collections.

For the six months ended June 30, 2017, cash from operating activities increased $19,198 over the same period in 2016. The increase primarily relates to the decreased trade receivables from improved collections as noted above. During the first quarter, Crombie received $8,600 in mortgage proceeds held back from December 2016.

Financing Activities

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Issuance of new mortgages	$ 80,000	$ 23,572	$ 56,428	$ 192,783	$ 40,742	$ 152,041
Regular principal repayment of mortgages	(13,418)	(12,791)	(627)	(26,500)	(25,761)	(739)
Lump sum principal repayment of mortgages	(21,719)	(25,669)	3,950	(38,806)	(41,024)	2,218
Net issue (repayment) on credit facilities	(9,708)	338,634	(348,342)	(178,316)	217,340	(395,656)
Deferred financing charges - investment property debt	(822)	(865)	43	(2,130)	(1,268)	(862)
Issuance of senior unsecured notes	—	—	—	76,413	—	76,413
Deferred financing charges - senior unsecured notes	(59)	—	(59)	(347)	—	(347)
Net issue of REIT Units and Class B LP Units	—	219,111	(219,111)	—	219,111	(219,111)
Other items (net)	(472)	(85)	(387)	(425)	(191)	(234)
Cash provided by (used in) financing activities	$ 33,802	$ 541,907	$ (508,105)	$ 22,672	$ 408,949	$ (386,277)

Cash from financing activities for the three months ended June 30, 2017 decreased by $508,105 from the same period in 2016. During the three months ended June 30, 2017, Crombie issued $80,000 (three months ended June 30, 2016 - $23,572) in new mortgages with a weighted average interest rate of 3.47% and utilized the proceeds to acquire a development property from a subsidiary of Empire on May 4, 2017 and to reduce floating rate credit facilities. Crombie also repaid $21,719 (three months ended June 30, 2016 - $25,669) in maturing mortgages. During the three months ended June 30, 2016, in conjunction with the purchase of properties completed on June 29, 2016, Crombie issued 8,952,400 REIT Units and 6,353,741 Class B LP Units for net proceeds of $219,111 and increased floating rate debt during the quarter.

Cash from financing activities for the six months ended June 30, 2017 decreased by $386,277 over the same period in 2016. During the six months ended June 30, 2017, Crombie issued $192,783 (six months ended June 30, 2016 - $40,742) in new mortgages with a weighted average interest rate of 3.43% and utilized the proceeds to acquire a development property from a subsidiary of Empire on May 4, 2017 and to reduce floating rate credit facilities. Crombie also repaid $38,806 (six months ended June 30, 2016 - $41,024) in maturing mortgages. On March 3, 2017, Crombie issued an additional $75,000 of the 3.962% Series B Notes (senior unsecured) for gross proceeds of $76,413, resulting in an effective yield to maturity of 3.48%. The proceeds were used to reduce floating rate credit facilities. During the six months ended June 30, 2016, Crombie disposed of 10 retail properties with the proceeds used to pay out maturing mortgages and reduce floating rate credit facilities.

Investing Activities

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Acquisition of investment properties	$ (17,490)	$ (490,064)	$ 472,574	$ (25,824)	$ (495,622)	$ 469,798
Additions to investment properties	(8,751)	(4,291)	(4,460)	(15,992)	(11,227)	(4,765)
Proceeds on disposal of investment properties	—	8,239	(8,239)	—	149,889	(149,889)
Additions to tenant incentives	(4,935)	(62,986)	58,051	(9,611)	(64,885)	55,274
Additions to deferred leasing costs	(389)	(251)	(138)	(621)	(416)	(205)
Other items (net)	(1,712)	—	(1,712)	(2,077)	—	(2,077)
Cash provided by (used in) investing activities	$ (33,277)	$ (549,353)	$ 516,076	$ (54,125)	$ (422,261)	$ 368,136

Cash used in investing activities for the three months ended June 30, 2017 improved by $516,076 over the same period in 2016. During the three months ended June 30, 2017, Crombie completed one property acquisition for net cash of $17,490. During the three months ended June 30, 2016, Crombie completed property acquisitions for net cash of $490,064 and additions to tenant incentives of $62,986, primarily related to the transaction that closed June 29, 2016. During the three months ended June 30, 2016, Crombie also completed the disposition of two retail properties for net proceeds of $8,239.

Cash used in investing activities for the six months ended June 30, 2017 improved by $368,136 over the same period in 2016. During the six months ended June 30, 2016, Crombie disposed of 10 retail properties for net proceeds of $149,889, realizing a gain on disposal of $26,260, and utilized the proceeds to repay debt.

Adjusted Cash Flow from Operations (ACFO)

Crombie considers ACFO to be a useful measure in evaluating sustainable, economic cash flows to fund distributions to unitholders. ACFO is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. As such, this non-GAAP financial measure should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. ACFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers. Crombie follows the recommendations of

REALPAC's February 2017 white paper in calculating ACFO and defines ACFO as cash flow from operations (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Distributions to unitholders included in cash flow from operations;
- Non-cash DRIP amounts included in distributions;
- Change in working capital;
- Capital expenditures;
- Taxes related to non-operating activities; and,
- Deferred financing charges.

REALPAC provides for other adjustments in determining ACFO which are currently not applicable to Crombie, therefore not included in the above list. The calculation of ACFO for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2017	2016	2017	2016
Cash flow from operations	$ (525)	$ 7,446	$ 31,453	$ 12,255
Adjusted for:				
Distributions to unitholders included in cash flow from operations	33,248	30,538	66,363	59,860
Non-cash DRIP amount included in above distributions	(8,012)	(5,241)	(16,272)	(10,018)
Change in non-cash working capital balances not indicative of sustainable cash flows	18,914	15,049	4,130	21,876
Amounts from joint ventures not included in cash flow from operations	—	—	—	—
Reserve for maintenance expenditures	(4,399)	(4,317)	(8,792)	(8,736)
Realized gains on marketable securities not included in cash flow from operations	—	—	—	—
Amortization of deferred financing charges	(1,521)	(768)	(2,468)	(1,596)
ACFO as calculated based on REALPAC recommendations	37,705	42,707	74,414	73,641
Adjustments:				
Net lease termination income from Target Canada	—	(10,344)	—	(10,344)
Subscription Receipts Adjustment Payment	—	613	—	613
ACFO, as adjusted	37,705	32,976	74,414	63,910
Total distributions declared during the period	33,248	30,538	66,363	59,860
Excess of ACFO over total distributions	$ 4,457	$ 2,438	$ 8,051	$ 4,050
ACFO payout ratio	88.2%	92.6%	89.2%	93.7%

Crombie has made the above-noted adjustments to ACFO as calculated based on REALPAC recommendations. These adjustments were made to better reflect sustainable, economic cash flows to fund distributions.

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 covenants:

- 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 outstanding letters of credit, may not exceed the “Aggregate Borrowing Base”, which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At June 30, 2017, the remaining amount available under the revolving credit facility was $388,000 (prior to reduction for standby letters of credit outstanding of $5,327) and was not limited by the Aggregate Borrowing Base. At June 30, 2017, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value - Fair Value Basis

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as obligations for borrowed money including obligations incurred in connection with acquisitions, excluding specific deferred taxes payable, trade payables and accruals in the ordinary course of business and distributions payable. 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 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.

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at the carrying value included in Crombie's financial statements.

The debt to gross book value on a fair value basis was 49.8% and 50.6% at June 30, 2017 and June 30, 2016, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain reasonable overall indebtedness so as to maintain and strengthen its investment grade rating.

During the six months ended June 30, 2017, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties decreased 0.03% to 5.85%.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Fixed rate mortgages	$ 1,783,294	$ 1,738,431	$ 1,655,817	$ 1,528,048	$ 1,518,846
Senior unsecured notes	475,000	475,000	400,000	400,000	400,000
Convertible debentures	134,400	134,400	134,400	134,400	134,400
Revolving credit facility payable	12,058	31,766	120,374	241,371	247,340
Bilateral credit facility	30,000	20,000	100,000	100,000	100,000
Total debt outstanding	2,434,752	2,399,597	2,410,591	2,403,819	2,400,586
Less: Applicable fair value debt adjustment	(1,273)	(1,352)	(1,452)	(1,509)	(1,567)
Debt	$ 2,433,479	$ 2,398,245	$ 2,409,139	$ 2,402,310	$ 2,399,019
Investment properties, at fair value	$ 4,817,000	$ 4,767,000	$ 4,752,000	$ 4,732,000	$ 4,697,000
Other assets, cost [1]	54,707	42,093	54,536	48,769	67,382
Deferred financing charges	14,641	15,281	14,631	14,409	14,646
Investment in joint ventures	2,940	1,339	815	—	—
Interest rate subsidy	(1,273)	(1,352)	(1,452)	(1,509)	(1,567)
Fair value adjustment to deferred taxes	—	(34,120)	(34,120)	(34,299)	(34,299)
Gross book value - fair value basis	$ 4,888,015	$ 4,790,241	$ 4,786,410	$ 4,759,370	$ 4,743,162
Debt to gross book value - fair value basis	49.8%	50.1%	50.3%	50.5%	50.6%

[1] Other assets exclude Tenant incentives and Accrued straight-line rent receivable.

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

Interest and Debt Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the six months ended June 30, 2017 were 2.82 times EBITDA and 1.85 times EBITDA, respectively. This compares to 2.89 times EBITDA and 1.87 times EBITDA, respectively, for the six months ended June 30, 2016. The decrease in the coverage ratios is attributable to:

- an increase in adjusted interest expense of $2,864 or 6.2% as Crombie increased fixed rate mortgage debt by $264,448 and senior unsecured notes by $75,000 since June 30, 2016 and reduced lower cost floating rate debt by $305,282 over that same period; and,
- Crombie's improved operating results, with EBITDA increasing $4,752 or 3.5%.

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, except as otherwise noted)	2017	2016
Property revenue	$ 203,722	$ 195,975
Amortization of tenant incentives	6,502	4,861
Adjusted property revenue	210,224	200,836
Property operating expenses	(61,188)	(58,179)
General and administrative expenses	(10,156)	(8,529)
EBITDA (1)	$ 138,880	$ 134,128
Finance costs – operations	$ 52,852	$ 49,158
Amortization of deferred financing charges	(2,468)	(1,596)
Amortization of effective swap agreements	(1,188)	(1,230)
Adjusted interest expense (2)	$ 49,196	$ 46,332
Debt repayments (advances)	$ 243,622	(150,555)
Change in fair value debt premium	(590)	(347)
Payments relating to interest rate subsidy	(179)	(154)
Advances (payments) relating to credit facilities	(178,316)	217,340
Lump sum payments on mortgages	(38,806)	(41,025)
Adjusted debt repayments (3)	$ 25,731	$ 25,259
Interest service coverage ratio {(1)/(2)}	2.82	2.89
Debt service coverage ratio {(1)/((2)+(3))}	1.85	1.87

ACCOUNTING

Related Party Transactions

As at June 30, 2017, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's transactions with related parties are as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2017	2016	2017	2016
Property revenue				
Property revenue	$ 57,665	$ 47,726	$ 106,530	$ 85,069
Head lease income	$ 188	$ 83	$ 362	$ 205
Lease termination income	$ 12	$ —	$ 41	$ —
Property operating expenses	$ (7)	$ (20)	$ (13)	$ (27)
General and administrative expenses				
Property management services recovered	$ 169	$ 279	$ 319	$ 570
Other general and administrative expenses	$ (72)	$ (50)	$ (137)	$ (100)
Finance costs - operations				
Interest on convertible debentures	$ (299)	$ (299)	$ (595)	$ (598)
Interest rate subsidy	$ 80	$ 69	$ 179	$ 153
Interest income	$ —	$ 178	$ —	$ 355
Finance costs - distributions to Unitholders	$ (13,795)	$ (12,671)	$ (27,535)	$ (24,837)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement. Revenue generated from the Management Agreement is being recognized in general and administrative expenses.

In addition to the above:

- On May 4, 2017, Crombie acquired a development property in British Columbia for $31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for $8,320 before closing and transaction costs.
- During the first six months of 2017, Crombie issued 500,680 (June 30, 2016 - 310,542) Class B LP Units to ECLD under the DRIP.
- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

Additional details on Crombie's related party transactions are described in the MD&A for the year ended December 31, 2016.

Use of Estimates and Judgments

The preparation of consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgment, estimate and assumption items include impairment, employee future benefits, income taxes, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based

on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Estimates and Assumptions

Critical accounting estimates and assumptions are discussed under the section "Critical Accounting Estimates and Assumptions" in the 2016 Annual MD&A.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2016 Annual MD&A.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at June 30, 2017:

(In thousands of CAD dollars)		June 30, 2017	December 31, 2016	June 30, 2016
Financial assets	Level			
Marketable securities	1	$ 1,235	$ —	$ —
Marketable securities	3	—	2,290	2,148
Total financial assets measured at fair value		$ 1,235	$ 2,290	$ 2,148

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of $2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the six months ended June 30, 2017.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding embedded derivatives).

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	June 30, 2017		December 31, 2016		June 30, 2016	
(In thousands of CAD dollars)	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables[1]	$ 6,701	$ 6,676	$ 19,999	$ 19,969	$ 14,200	$ 14,158
Total other financial assets	$ 6,701	$ 6,676	$ 19,999	$ 19,969	$ 14,200	$ 14,158
Financial liabilities						
Investment property debt	$ 1,890,062	$ 1,825,352	$ 1,959,091	$ 1,876,191	$ 2,016,614	$ 1,866,186
Senior unsecured notes	477,643	475,000	402,361	400,000	409,790	400,000
Convertible debentures	137,436	134,400	139,147	134,400	139,844	134,400
Total other financial liabilities	$ 2,505,141	$ 2,434,752	$ 2,500,599	$ 2,410,591	$ 2,566,248	$ 2,400,586

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

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 obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2017, Crombie has a total of $5,327 in outstanding letters of credit related to:

	June 30,	
(In thousands of CAD dollars)	2017	2016
Construction work being performed on investment properties	$ 2,327	$ 1,691
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	3,000	—
Total outstanding letters of credit	$ 5,327	$ 1,691

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 eight to 73 years including renewal options. For the three and six months ended June 30, 2017, Crombie paid $476 and $778 in land lease payments to third party landlords (three and six months ended June 30, 2016 - $355 and $710).

As at June 30, 2017, Crombie had signed construction contracts totalling $72,998 of which $47,171 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 risks are discussed more fully under the section "Risk Management" in the 2016 Annual MD&A. There has been no significant change in Crombie's risk management since that time. Crombie is providing specific risk updates for June 30, 2017 for dollar amount changes during the current quarter:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. A provision for doubtful accounts is taken for all anticipated collectability 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.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants.

- Crombie's largest tenant, Sobeys, represents 53.0% of annual minimum rent; no other tenant accounts for more than 5.0% of Crombie's annual minimum rent, and;
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. Crombie earned total property revenue of $57,665 and $106,530 respectively for the three and six months ended June 30, 2017 (three and six months ended June 30, 2016 - $47,726 and $85,069 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 4.5% of the gross leaseable area of Crombie will expire in any one year.

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.

The 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, 2016.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

As at June 30, 2017:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.8 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $400,000, subject to available Borrowing Base, with a balance of $12,058 at June 30, 2017;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $30,000 at June 30, 2017; and,
- Crombie has interest rate swap agreements in place on $122,210 of floating rate mortgage debt.

Crombie estimates that $1,166 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining two quarters of 2017, based on all settled swap agreements as of June 30, 2017.

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, 2017	$ 21	$ (21)
Three months ended June 30, 2016	$ 198	$ (198)
Six months ended June 30, 2017	$ 128	$ (128)
Six months ended June 30, 2016	$ 320	$ (320)

There have been no significant changes to Crombie's interest rate risk since December 31, 2016.

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, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

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 in 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 and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate 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 by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

		Twelve months ending June 30,					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2018	2019	2020	2021	2022	Thereafter
Fixed rate mortgages[2]	$ 2,161,299	$ 204,508	$ 136,625	$ 394,597	$ 158,526	$ 292,911	$ 974,132
Senior unsecured notes	520,514	17,379	187,728	134,053	181,354	—	—
Convertible debentures	149,073	63,931	3,906	3,906	77,330	—	—
	2,830,886	285,818	328,259	532,556	417,210	292,911	974,132
Floating rate debt	44,187	1,115	43,072	—	—	—	—
Total	$ 2,875,073	$ 286,933	$ 371,331	$ 532,556	$ 417,210	$ 292,911	$ 974,132

[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.

There have been no significant changes to Crombie's liquidity risk since December 31, 2016.

SUBSEQUENT EVENTS

(a) On July 4, 2017, Crombie redeemed the $60,000, 5.00% Series D Convertible Unsecured Subordinated Debentures.

(b) On July 6, 2017, Crombie acquired a 100% occupied, 61,000 square foot grocery anchored retail plaza located at 1215-1255 McCowan Road, Toronto, Ontario. The property was acquired from a third party vendor for a purchase price of $42,000, excluding closing and transaction costs. The site includes 4.5 acres of land and has potential for high density redevelopment.

(c) On July 19, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2017 to and including, July 31, 2017. The distributions will be paid on August 15, 2017, to Unitholders of record as of July 31, 2017.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President,

Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of June 30, 2017. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO 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 as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2016, and have concluded that our current ICFR was effective 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, ACFO, 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, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015
Property revenue	$ 101,591	$ 102,131	$ 105,269	$ 98,757	$ 101,031	$ 94,944	$ 92,847	$ 89,611
Property operating expenses	29,793	31,395	29,395	27,732	27,538	30,641	28,858	26,892
Property net operating income	71,798	70,736	75,874	71,025	73,493	64,303	63,989	62,719
Gain on disposal	—	—	9,761	1,225	244	26,260	25	—
Expenses:								
General and administrative	(5,160)	(4,996)	(4,266)	(3,546)	(4,122)	(4,407)	(3,541)	(3,923)
Finance costs - operations	(26,892)	(25,960)	(25,656)	(25,342)	(24,793)	(24,365)	(24,600)	(24,306)
Income from equity accounted investments	27	—	—	—	—	—	—	—
Depreciation and amortization	(19,826)	(19,796)	(19,435)	(19,933)	(17,514)	(16,450)	(16,789)	(16,340)
Impairment	—	—	(6,000)	—	—	—	(7,300)	—
Operating income before taxes	19,947	19,984	30,278	23,429	27,308	45,341	11,784	18,150
Taxes - current	(4)	—	—	(3)	—	(23)	(39)	(621)
Taxes - deferred	76,400	(1,000)	1,200	(300)	(100)	(2,000)	2,200	400
Operating income	96,343	18,984	31,478	23,126	27,208	43,318	13,945	17,929
Finance costs - distributions to Unitholders	(33,248)	(33,115)	(32,987)	(32,890)	(30,538)	(29,322)	(29,236)	(29,153)
Finance income (costs) - change in fair value of financial instruments	1	101	(46)	789	(397)	(34)	3,068	(3,112)
Increase (decrease) in net assets attributable to Unitholders	$ 63,096	$ (14,030)	$ (1,555)	$ (8,975)	$ (3,727)	$ 13,962	$ (12,223)	$ (14,336)
Operating income per unit - Basic	$ 0.65	$ 0.13	$ 0.21	$ 0.16	$ 0.21	$ 0.33	$ 0.11	$ 0.14
Operating income per unit - Diluted	$ 0.63	$ 0.13	$ 0.21	$ 0.16	$ 0.21	$ 0.33	$ 0.11	$ 0.14

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015
Distributions								
Distributions	$ 33,248	$ 33,115	$ 32,987	$ 32,890	$ 30,538	$ 29,322	$ 29,236	$ 29,153
Per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
AFFO[1], as adjusted								
Basic	$ 35,532	$ 36,132	$ 37,776	$ 38,131	$ 30,833	$ 31,436	$ 32,310	$ 30,694
Per unit - Basic	$ 0.24	$ 0.24	$ 0.26	$ 0.26	$ 0.23	$ 0.24	$ 0.25	$ 0.23
Per unit - Diluted[3]	$ 0.24	$ 0.24	$ 0.25	$ 0.26	$ 0.23	$ 0.24	$ 0.25	$ 0.23
Payout ratio	93.6%	91.6%	87.3%	86.3%	99.0%	93.3%	90.5%	95.0%
FFO[2], as adjusted								
Basic	$ 43,335	$ 43,928	$ 45,964	$ 46,079	$ 37,768	$ 38,473	$ 38,311	$ 36,312
Per unit - Basic	$ 0.29	$ 0.30	$ 0.31	$ 0.31	$ 0.29	$ 0.29	$ 0.29	$ 0.28
Per unit - Diluted[3]	$ 0.29	$ 0.29	$ 0.31	$ 0.31	$ 0.28	$ 0.29	$ 0.29	$ 0.28
Payout ratio	76.7%	75.4%	71.8%	71.4%	80.9%	76.2%	76.3%	80.3%

[1] AFFO for 2016 is now calculated based on REALPAC's February 2017 white paper.
[2] FFO for 2016 has been restated to include add back of incremental internal leasing costs.
[3] FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of 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 and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
    - March 31, 2017 - acquisition of one retail property for a total purchase price of $8,320;

- December 31, 2016 - acquisition of two retail properties and an addition to an existing office property for a total purchase price of $34,000, and disposition of five retail properties for proceeds of $32,500;
- September 30, 2016 - acquisition of one retail property and one development property for a total purchase price of $32,858, and disposition of two retail properties for proceeds of $11,357;
- June 30, 2016 - acquisition of 33 retail properties, a 50% interest in three distribution centres, a property for development and two parcels of development land adjacent to existing Crombie properties for a total purchase price of $502,683, and disposition of two retail properties for proceeds of $8,293;
- March 31, 2016 - acquisition of one retail property for a total purchase price of $5,500 and disposition of 10 retail properties for proceeds of $143,400;
- December 31, 2015 - acquisition of four retail properties and two additions to existing retail properties for a total purchase price of $60,825; and,
- September 30, 2015 - acquisition of one retail property for a total purchase price of $20,500.

- Property revenue and property operating expenses - Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such 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 particular expenses such as paving and roof repairs.
- On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of $76,400 as at March 31, 2017 has been reduced to $NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017.
- 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.

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

Dated: August 9, 2017

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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

	Note	June 30, 2017	December 31, 2016	June 30, 2016
Assets				
Non-current assets				
Investment properties	3	**$ 3,730,956**	$ 3,716,720	$ 3,697,799
Investment in joint ventures	4	**2,940**	815	—
Other assets	5	**207,657**	197,351	183,048
		3,941,553	3,914,886	3,880,847
Current assets				
Other assets	5	**46,530**	48,432	66,837
		46,530	48,432	66,837
Total Assets		**3,988,083**	3,963,318	3,947,684
Liabilities				
Non-current liabilities				
Investment property debt	6	**1,683,602**	1,765,824	1,760,577
Senior unsecured notes	7	**474,827**	398,588	398,334
Convertible debentures	8	**72,974**	132,134	131,826
Deferred taxes	9	**—**	75,400	76,300
Employee future benefits obligation		**8,243**	8,110	8,144
Trade and other payables	10	**8,522**	8,493	8,638
		2,248,168	2,388,549	2,383,819
Current liabilities				
Investment property debt	6	**130,226**	99,653	95,470
Convertible debentures	8	**60,000**	—	—
Employee future benefits obligation		**282**	282	246
Trade and other payables	10	**92,092**	84,688	80,268
		282,600	184,623	175,984
Total liabilities excluding net assets attributable to Unitholders		**2,530,768**	2,573,172	2,559,803
Net assets attributable to Unitholders		**$ 1,457,315**	$ 1,390,146	$ 1,387,881
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 873,700**	$ 834,203	$ 833,039
Special Voting Units and Class B Limited Partnership Unitholders		**583,615**	555,943	554,842
		$ 1,457,315	$ 1,390,146	$ 1,387,881
Commitments and contingencies	20			
Subsequent events	21			

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of CAD dollars)

(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2017**	2016	**2017**	2016
Property revenue	11	**$ 101,591**	$ 101,031	**$ 203,722**	$ 195,975
Property operating expenses		**29,793**	27,538	**61,188**	58,179
Net property income		**71,798**	73,493	**142,534**	137,796
Gain on disposal of investment properties		**—**	244	**—**	26,504
Depreciation of investment properties	3	**(18,183)**	(16,218)	**(35,954)**	(31,357)
Amortization of intangible assets	3	**(1,518)**	(1,146)	**(3,369)**	(2,306)
Amortization of deferred leasing costs	3	**(125)**	(150)	**(299)**	(301)
General and administrative expenses	13	**(5,160)**	(4,122)	**(10,156)**	(8,529)
Finance costs - operations	14	**(26,892)**	(24,793)	**(52,852)**	(49,158)
Income from equity accounted investments	4	**27**	—	**27**	—
Operating income before taxes		**19,947**	**27,308**	**39,931**	**72,649**
Taxes - current	9	**(4)**	—	**(4)**	(23)
Taxes - deferred	9	**76,400**	(100)	**75,400**	(2,100)
Operating income attributable to Unitholders		**96,343**	27,208	**115,327**	70,526
Finance costs - other					
Distributions to Unitholders		**(33,248)**	(30,538)	**(66,363)**	(59,860)
Change in fair value of financial instruments	10	**1**	(397)	**102**	(431)
		(33,247)	(30,935)	**(66,261)**	(60,291)
Increase (decrease) in net assets attributable to Unitholders		**63,096**	(3,727)	**49,066**	10,235
Other comprehensive income					
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**591**	612	**1,188**	1,230
Net change in derivatives designated as cash flow hedges		**1,569**	—	**581**	—
Other comprehensive income		**2,160**	612	**1,769**	1,230
Comprehensive income (loss)		**$ 65,256**	$ (3,115)	**$ 50,835**	$ 11,465

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders

(In thousands of CAD dollars)

(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 15)					
Balance, January 1, 2017	**$ 1,714,724**	**$ (316,003)**	**$ (8,575)**	**$ 1,390,146**	**$ 834,203**	**$ 555,943**
Adjustments related to EUPP	**44**	**18**	**—**	**62**	**62**	**—**
Statements of comprehensive income (loss)	**—**	**49,066**	**1,769**	**50,835**	**29,919**	**20,916**
Units issued under Distribution Reinvestment Plan ("DRIP")	**16,272**	**—**	**—**	**16,272**	**9,516**	**6,756**
Balance, June 30, 2017	**$ 1,731,040**	**$ (266,919)**	**$ (6,806)**	**$ 1,457,315**	**$ 873,700**	**$ 583,615**

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 15)					
Balance, January 1, 2016	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746
Adjustments related to EUPP	34	23	—	57	57	—
Statements of comprehensive income (loss)	—	10,235	1,230	11,465	6,669	4,796
Units issued under DRIP	10,018	—	—	10,018	5,858	4,160
Unit issue proceeds, net of costs of $5,889	219,111	—	—	219,111	125,971	93,140
Balance, June 30, 2016	$ 1,703,048	$ (305,492)	$ (9,675)	$ 1,387,881	$ 833,039	$ 554,842

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of CAD dollars)

(Unaudited)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		**$ 63,096**	$ (3,727)	**$ 49,066**	$ 10,235
Items not affecting operating cash	16	**(46,964)**	24,074	**(16,346)**	22,273
Change in other non-cash operating items	16	**(16,657)**	(12,901)	**(1,267)**	(20,253)
Cash provided by (used in) operating activities		**(525)**	7,446	**31,453**	12,255
Financing Activities					
Issue of mortgages		**80,000**	23,572	**192,783**	40,742
Deferred financing charges - investment property debt		**(822)**	(865)	**(2,130)**	(1,268)
Repayment of mortgages		**(35,137)**	(38,460)	**(65,306)**	(66,785)
Advance (repayment) of floating rate credit facilities		**(9,708)**	338,634	**(178,316)**	217,340
Issue of senior unsecured notes		**—**	—	**76,413**	—
Deferred financing charges - senior unsecured notes		**(59)**	—	**(347)**	—
REIT Units and Class B LP Units issued		**—**	225,000	**—**	225,000
REIT Units and Class B LP Units issue costs		**—**	(5,889)	**—**	(5,889)
Repayment of EUPP loans receivable		**28**	34	**44**	34
Collection of (advances on) long-term receivables		**(500)**	(119)	**(469)**	(225)
Cash provided by (used in) financing activities		**33,802**	541,907	**22,672**	408,949
Investing Activities					
Acquisition of investment properties and intangible assets		**(17,490)**	(490,064)	**(25,824)**	(495,622)
Additions to investment properties		**(8,751)**	(4,291)	**(15,992)**	(11,227)
Proceeds on disposal of investment properties		**—**	8,239	**—**	149,889
Acquisition of interest in joint ventures		**(1,701)**	—	**(1,701)**	—
Additions to fixtures and computer equipment		**(1,231)**	—	**(1,596)**	—
Proceeds on disposal of marketable securities		**1,220**	—	**1,220**	—
Additions to tenant incentives		**(4,935)**	(62,986)	**(9,611)**	(64,885)
Additions to deferred leasing costs		**(389)**	(251)	**(621)**	(416)
Cash provided by (used in) investing activities		**(33,277)**	(549,353)	**(54,125)**	(422,261)
Net change in cash and cash equivalents		**—**	—	**—**	(1,057)
Cash and cash equivalents, beginning of period		**—**	—	**—**	1,057
Cash and cash equivalents, end of period		**$ —**	$ —	**$ —**	$ —

See accompanying notes to the interim condensed 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 investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the three and six months ended June 30, 2017 and June 30, 2016 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 condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 9, 2017.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed 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. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

(b) Basis of presentation

These interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The interim condensed consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value recognized in Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

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

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at June 30, 2017. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of June 30, 2017.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Where 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.

(ii) Joint arrangements

Joint arrangements are business arrangements whereby two or more parties have joint control. Joint control is based on the contractual sharing of control over the decisions related to the relevant activities. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual arrangements related to the rights and obligations of the parties to the arrangement.

Joint operations

A joint operation is an arrangement wherein the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. For joint operations, Crombie recognizes its proportionate share of the assets, liabilities, revenues and expenses of the joint operation in the relevant categories of Crombie's financial statements.

Joint ventures

A joint venture is an entity over which Crombie shares joint control with other parties and where the joint venture parties have rights to the net assets of the joint venture. Joint control exists where there is a contractual agreement for shared control and wherein decisions about the significant relevant activities of the arrangement require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost with subsequent adjustments for Crombie's share of the results of operations and any change in net assets. Crombie's joint venture entities have the same reporting period as Crombie and adjustments, if any, are made to bring the accounting policies of joint venture entities in line with the policies of Crombie.

(e) Investment properties

(i) Income properties

Income properties are properties which are held to earn rental income. Income properties include land, buildings and intangible assets. Income properties are carried at cost less accumulated depreciation and amortization and are reviewed for impairment as described in the Company's audited consolidated financial statements for the year ended December 31, 2016.

(ii) Properties under development

Properties under development include properties that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties. The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest capitalized is calculated using Crombie's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

(f) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2016.

New standards adopted

Effective January 1, 2017, Crombie implemented the disclosure amendments to IAS 7 Statement of Cash Flows. The amendments provide disclosure of changes in liabilities arising from financing activities.

Future changes in accounting standards

Refer to Crombie’s annual consolidated financial statements for the year ended December 31, 2016, for future accounting pronouncement details.

3) INVESTMENT PROPERTIES

	June 30, 2017	December 31, 2016	June 30, 2016
Income properties	**$ 3,664,293**	$ 3,683,278	$ 3,670,725
Properties under development	**66,663**	33,442	27,074
	$ 3,730,956	$ 3,716,720	$ 3,697,799

Income properties

	Land	**Buildings**	**Intangibles**	**Deferred Leasing Costs**	**Total**
Cost					
Opening balance, January 1, 2017	**$ 1,189,999**	**$ 2,820,193**	**$ 114,549**	**$ 7,800**	**$ 4,132,541**
Acquisitions	**—**	**7,859**	**475**	**—**	**8,334**
Additions	**45**	**11,763**	**—**	**495**	**12,303**
Balance, June 30, 2017	**1,190,044**	**2,839,815**	**115,024**	**8,295**	**4,153,178**
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	**2,357**	**385,731**	**57,098**	**4,077**	**449,263**
Depreciation and amortization	**—**	**35,954**	**3,369**	**299**	**39,622**
Balance, June 30, 2017	**2,357**	**421,685**	**60,467**	**4,376**	**488,885**
Net carrying value, June 30, 2017	**$ 1,187,687**	**$ 2,418,130**	**$ 54,557**	**$ 3,919**	**$ 3,664,293**

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	$ 973,378	$ 2,500,700	$ 98,136	$ 6,780	$ 3,578,994
Acquisitions	229,662	312,684	18,285	—	560,631
Additions	626	30,849	—	1,185	32,660
Dispositions	(13,503)	(23,572)	(1,846)	(165)	(39,086)
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, December 31, 2016	1,189,999	2,820,193	114,549	7,800	4,132,541
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	66,552	6,170	610	73,332
Dispositions	—	(7,020)	(1,591)	(111)	(8,722)
Impairment	2,357	3,643	—	—	6,000
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance, December 31, 2016	2,357	385,731	57,098	4,077	449,263
Net carrying value, December 31, 2016	$ 1,187,642	$ 2,434,462	$ 57,451	$ 3,723	$ 3,683,278

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	$ 973,378	$ 2,500,700	$ 98,136	$ 6,780	$ 3,578,994
Acquisitions	207,303	271,054	16,624	—	494,981
Additions	339	9,014	—	672	10,025
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, June 30, 2016	1,180,856	2,780,300	114,734	7,452	4,083,342
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	31,357	2,306	301	33,964
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance June 30, 2016	—	353,913	54,825	3,879	412,617
Net carrying value, June 30, 2016	$ 1,180,856	$ 2,426,387	$ 59,909	$ 3,573	$ 3,670,725

Properties under development

	June 30, 2017	December 31, 2016	June 30, 2016
Balance, beginning of year	**$ 33,442**	$ 2,624	$ 2,624
Acquisitions	**31,252**	30,134	24,450
Additions	**1,969**	684	—
Balance, end of period	**$ 66,663**	$ 33,442	$ 27,074

On May 4, 2017 Crombie acquired a development property in Langford, British Columbia, from a subsidiary of Empire Company Limited ("Empire"), a related party.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $886,564 at June 30, 2017 (June 30, 2016 - $816,698). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

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

	Fair Value	**Carrying Value**
June 30, 2017	**$ 4,817,000**	**$ 3,930,436**
December 31, 2016	$ 4,752,000	$ 3,907,967
June 30, 2016	$ 4,697,000	$ 3,880,302

Carrying value consists of the net carrying value of:

	Note	**June 30, 2017**	December 31, 2016	June 30, 2016
Income properties	3	**$ 3,664,293**	$ 3,683,278	$ 3,670,725
Properties under development	3	**66,663**	33,442	27,074
Accrued straight-line rent receivable	5	**66,008**	59,225	52,612
Tenant incentives	5	**133,472**	132,022	129,891
Total carrying value		**$ 3,930,436**	$ 3,907,967	$ 3,880,302

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, 2017	**5.85%**	**$ (192,000)**	**$ 210,000**
December 31, 2016	5.88%	$ (191,000)	$ 208,000
June 30, 2016	5.94%	$ (188,000)	$ 205,000

Income Property Acquisitions and Dispositions

The operating results of acquired properties are included from the respective date of acquisition and for disposed properties up to the date of disposition.

2017

Transaction Date	**Vendor/ Purchaser**	**Properties Acquired**	**Approximate Square Footage**	**Initial Acquisition Price**	**Assumed Mortgages**
March 16, 2017	Empire	1	50,000	$ 8,320	$ —
			50,000	**$ 8,320**	**$ —**

The acquisition of a retail property on March 16, 2017 was transacted with Empire.

2016

Transaction Date	**Vendor/ Purchaser**	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2016	Third party	1	21,000	$ 5,500	$ —
March 10, 2016	Third party	(10)	(791,000)	(143,400)	—
April 8, 2016	Third party	1	58,000	15,700	—
April 15, 2016	Third party	(1)	(8,000)	(793)	—
April 28, 2016	Third party	(1)	(47,000)	(7,500)	—
May 3, 2016	Third party	2	117,000	46,200	8,041
May 16, 2016	Third party	9	94,000	32,272	—
June 1, 2016	Third party	1	37,000	7,000	3,751
June 9, 2016	Third party	1	84,000	29,000	12,017
June 29, 2016	Empire	22	2,090,000	348,386	—
			1,655,000	$ 332,365	$ 23,809

The acquisition on June 29, 2016 was transacted with Empire, a related party. This acquisition included19 retail properties and a 50% interest in three distribution centres.

The initial acquisition (disposition) prices stated above exclude closing and transaction costs.

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
Income property acquired, net:	**2017**	2016	**2017**	2016	December 31, 2016
Land	**$ —**	$ 205,535	**$ —**	$ 207,303	$ 259,796
Buildings	**—**	267,504	**7,859**	271,054	312,684
Intangibles	**—**	16,384	**475**	16,624	18,285
Fair value debt adjustment on assumed mortgages	**—**	(1,072)	**—**	(1,072)	(1,072)
Net purchase price	**—**	488,351	**8,334**	493,909	589,693
Assumed mortgages	**—**	(23,809)	**—**	(23,809)	(39,902)
	$ —	$ 464,542	**$ 8,334**	$ 470,100	$ 549,791

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	June 30, 2017	December 31, 2016	June 30, 2016
1600 Davie Limited Partnership	**50.0%**	50.0%	50.0%
140 CPN Holdings Ltd.	**50.0%**	—	—

140 CPN Holdings Ltd. was incorporated March 3, 2017 and acquired a retail property in Hamilton, Ontario on April 7, 2017. Crombie's share of the operating results are reported as Income from equity accounted investments on the Statement of Comprehensive Income.

1600 Davie Limited Partnership was created on January 19, 2016 and is engaged in the development of a mixed use (retail and residential) property located at Davie Street, Vancouver, BC.

The following table represents 100% of the financial results of the equity accounted entities:

	June 30, 2017	December 31, 2016	June 30, 2016
Non-current assets	**$ 9,438**	$ 1,849	$ —
Current assets	**613**	573	—
Non-current liabilities	**3,847**	—	—
Current liabilities	**324**	793	—
Net assets	**$ 5,880**	$ 1,629	$ —
Crombie's investment in joint ventures	**$ 2,940**	$ 815	$ —

	June 30, 2017	December 31, 2016	June 30, 2016
Revenue	**$ 104**	$ —	$ —
Operating Expenses	**(22)**	—	—
General and administrative expenses	**(6)**	—	—
Finance costs - operations	**(22)**	—	—
Net income	**$ 54**	$ —	$ —
Crombie's income from equity accounted investments	**$ 27**	$ —	$ —

5) OTHER ASSETS

	June 30, 2017			December 31, 2016			June 30, 2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	**$ 16,837**	**$ —**	**$ 16,837**	$ 11,625	$ —	$ 11,625	$ 28,546	$ —	$ 28,546
Provision for doubtful accounts	**(172)**	**—**	**(172)**	(127)	—	(127)	(76)	—	(76)
Net trade receivables	**16,665**	**—**	**16,665**	11,498	—	11,498	28,470	—	28,470
Marketable securities	**1,235**	**—**	**1,235**	2,290	—	2,290	2,148	—	2,148
Prepaid expenses and deposits	**28,460**	**—**	**28,460**	12,104	—	12,104	22,431	—	22,431
Fixtures and computer equipment	**—**	**1,596**	**1,596**	—	—	—	—	—	—
Restricted cash	**75**	**—**	**75**	8,675	—	8,675	175	—	175
Accrued straight-line rent receivable	**—**	**66,008**	**66,008**	—	59,225	59,225	—	52,612	52,612
Tenant incentives	**—**	**133,472**	**133,472**	—	132,022	132,022	—	129,891	129,891
Capital expenditure program	**—**	**105**	**105**	—	105	105	—	105	105
Interest rate subsidy	**95**	**345**	**440**	103	392	495	149	440	589
Amount receivable from related party	**—**	**—**	**—**	13,762	—	13,762	13,464	—	13,464
Amount receivable from third parties	**—**	**6,131**	**6,131**	—	5,607	5,607	—	—	—
	$ 46,530	**$ 207,657**	**$ 254,187**	$ 48,432	$ 197,351	$ 245,783	$ 66,837	$ 183,048	$ 249,885

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2017	**$ 187,162**	**$ 55,140**	**$ 132,022**
Additions	**7,952**	**—**	**7,952**
Amortization	**—**	**6,502**	**(6,502)**
Balance, June 30, 2017	**$ 195,114**	**$ 61,642**	**$ 133,472**
Balance, January 1, 2016	$ 107,122	$ 45,455	$ 61,667
Additions	73,087	—	73,087
Amortization	—	4,861	(4,861)
Transfer to investment properties held for sale	(3)	(1)	(2)
Balance, June 30, 2016	$ 180,206	$ 50,315	$ 129,891

See Note 18(a) for fair value information.

6) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**		**June 30, 2017**
Fixed rate mortgages	**2.35 - 6.90%**	**4.34%**	**5.8 years**	**$**	**1,783,294**
Floating rate revolving credit facility			**2.0 years**		**12,058**
Unsecured bilateral credit facility			**1.9 years**		**30,000**
Deferred financing charges					**(11,524)**
				$	**1,813,828**

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		December 31, 2016
Fixed rate mortgages	2.35 - 6.90%	4.46%	5.9 years	$	1,655,817
Floating rate revolving credit facility			2.5 years		120,374
Unsecured bilateral credit facility			1.4 years		100,000
Deferred financing charges					(10,714)
				$	1,865,477

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		June 30, 2016
Fixed rate mortgages	2.35 - 6.90%	4.57%	6.3 years	$	1,518,846
Floating rate revolving credit facility			3.0 years		247,340
Unsecured bilateral credit facility			1.9 years		100,000
Deferred financing charges					(10,139)
				$	1,856,047

As at June 30, 2017, debt retirements for the next five years are:

12 Months Ending	**Fixed Rate Principal Payments**	**Fixed Rate Maturities**	**Floating Rate Maturities**	**Total**
June 30, 2018	$ 53,954	$ 76,272	$ —	$ 130,226
June 30, 2019	53,631	13,706	42,058	109,395
June 30, 2020	50,989	282,818	—	333,807
June 30, 2021	46,477	63,173	—	109,650
June 30, 2022	43,296	206,411	—	249,707
Thereafter	118,517	771,092	—	889,609
	$ 366,864	$ 1,413,472	$ 42,058	1,822,394
Deferred financing charges				(11,524)
Unamortized fair value debt adjustment				2,958
				$ 1,813,828

Specific investment properties with a carrying value of $3,131,989 as at June 30, 2017 (December 31, 2016 - $2,974,237; June 30, 2016 - $2,634,188) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

For the six months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
June 30, 2017	New	6	3.43%	8.1	25.0	$ 192,783
	Repaid	7	4.98%	—	—	(38,806)
						$ 153,977

For the six months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
June 30, 2016	New	5	3.12%	5.6	24.7	$ 39,670
	Assumed	3	4.86%	3.3	19.5	23,809
	Repaid	8	5.17%	—	—	(41,024)
						$ 22,455

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2016 - $400,000; June 30, 2016 - $400,000) and matures June 30, 2019. Subsequent to quarter end the term was extended to June 30, 2021. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (June 30, 2017 – borrowing base of $400,000). Borrowings under the revolving credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 16, 2019.The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Prime Rate Advance or Bankers Acceptance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

See Note 18(a) for fair value information.

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**June 30, 2017**	December 31, 2016	June 30, 2016
Series A	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ 175,000
Series B	June 1, 2021	3.962%	**175,000**	100,000	100,000
Series C	February 10, 2020	2.775%	**125,000**	125,000	125,000
Unamortized Series B issue premium			**1,518**	240	267
Deferred financing charges			**(1,691)**	(1,652)	(1,933)
			$ 474,827	$ 398,588	$ 398,334

On March 3, 2017, Crombie issued an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes") maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of $1,018.84 per $1,000 principal amount plus accrued interest.

See Note 18(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2017	December 31, 2016	June 30, 2016
Series D (CRR.DB.D)	$ 20.10	July 4, 2017	5.00%	**$ 60,000**	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	**74,400**	74,400	74,400
Deferred financing charges				**(1,426)**	(2,266)	(2,574)
				$ 132,974	$ 132,134	$ 131,826

On July 4, 2017, Crombie redeemed the 5.00% Series D Convertible Unsecured Subordinated Debentures maturing on September 30, 2019 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures $1,013.01 per $1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

See Note 18(a) for fair value information.

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, 2017	December 31, 2016	June 30, 2016
Tax liabilities relating to difference in tax and book value	**$ —**	$ 82,486	$ 84,791
Tax asset relating to non-capital loss carry-forward	**—**	(7,086)	(8,491)
Deferred tax liability	**$ —**	$ 75,400	$ 76,300

The tax recovery (expense) consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Taxes - current				
Taxes - operating income earned in corporate subsidiaries	**(4)**	—	**(4)**	(23)
Total current taxes	**$ (4)**	$ —	**$ (4)**	$ (23)
Taxes - deferred				
Provision for income taxes at the expected rate	**$ —**	$ (8,402)	**$ (6,067)**	$ (22,033)
Tax effect of income attribution to Crombie's Unitholders	**—**	8,302	**5,067**	19,933
Impact of tax reorganization	**76,400**	—	**76,400**	—
Total deferred taxes	**$ 76,400**	$ (100)	**$ 75,400**	$ (2,100)

On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of $76,400 as at March 31, 2017 has been reduced to $NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017. Professional fees of $1,059 associated with the tax reorganization have been recorded as general and administrative expenses for the six months ended June 30, 2017 ($494 for the three months ended June 30, 2017).

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

10) TRADE AND OTHER PAYABLES

	June 30, 2017			December 31, 2016			June 30, 2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	**$ 26,554**	**$ —**	**$ 26,554**	$ 28,894	$ —	$ 28,894	$ 22,346	$ —	$ 22,346
Property operating costs	**34,652**	**—**	**34,652**	29,457	—	29,457	31,241	—	31,241
Prepaid rents	**8,090**	**—**	**8,090**	4,827	—	4,827	5,536	—	5,536
Finance costs on investment property debt, notes and debentures	**10,720**	**—**	**10,720**	10,385	—	10,385	10,039	—	10,039
Distributions payable	**11,097**	**—**	**11,097**	11,007	—	11,007	10,945	—	10,945
Unit based compensation plans	**1,318**	**3,908**	**5,226**	—	3,846	3,846	—	3,376	3,376
Fair value of interest rate swap agreements	**(581)**	**—**	**(581)**	—	—	—	—	—	—
Fair value of embedded derivatives in convertible debentures	**—**	**—**	**—**	—	—	—	—	582	582
Deferred revenue	**242**	**4,614**	**4,856**	118	4,647	4,765	161	4,680	4,841
	$ 92,092	**$ 8,522**	**$ 100,614**	$ 84,688	$ 8,493	$ 93,181	$ 80,268	$ 8,638	$ 88,906

Change in fair value of financial instruments:

	Three months ended June 30,		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Deferred Unit ("DU") Plan	**$ (10)**	$ (99)	**$ (47)**	**$ (149)**
Embedded derivatives in convertible debentures	**—**	(582)	**—**	**(582)**
Marketable securities	**11**	284	**149**	**300**
Total change in fair value of financial instruments	**$ 1**	**$ (397)**	**$ 102**	**$ (431)**

11) PROPERTY REVENUE

	Three months ended June 30,		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Rental revenue contractually due from tenants	**$ 100,736**	$ 89,998	**$ 202,322**	$ 183,947
Contingent rental revenue	**414**	378	**870**	1,101
Straight-line rent recognition	**3,389**	2,720	**6,783**	5,444
Tenant incentive amortization	**(2,960)**	(2,409)	**(6,502)**	(4,861)
Lease terminations	**12**	10,344	**249**	10,344
	$ 101,591	$ 101,031	**$ 203,722**	$ 195,975

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

	Three months ended June 30,				**Six months ended June 30,**			
	2017		2016		**2017**		2016	
	Revenue	**Percentage**	Revenue	Percentage	**Revenue**	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 56,218**	**55.3%**	$ 46,263	45.8%	**$ 103,946**	**51.0%**	$ 82,713	42.2%

12) 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, 2017, is as follows:

	Remaining	Year Ending December 31,					
	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Future minimum rental income	$ 139,770	$ 271,282	$ 261,011	$ 250,069	$ 238,501	$ 2,216,649	$ 3,377,282

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 eight to 73 years including renewal options:

	Remaining	Year Ending December 31,					
	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Future minimum lease payments	$ 1,098	$ 1,932	$ 1,946	$ 2,008	$ 2,027	$ 143,147	$ 152,158

13) CORPORATE EXPENSES

(a) General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Salaries and benefits	**$ 2,870**	$ 2,608	**$ 5,577**	$ 5,504
Professional and public company costs	**1,379**	829	**2,804**	1,708
Occupancy and other	**911**	685	**1,775**	1,317
	$ 5,160	$ 4,122	**$ 10,156**	$ 8,529

(b) Employee benefit expense

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Wages and salaries	**$ 5,652**	$ 5,302	**$ 14,146**	$ 13,767
Post-employment benefits	**185**	177	**391**	382
	$ 5,837	$ 5,479	**$ 14,537**	$ 14,149

14) FINANCE COSTS – OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Fixed rate mortgages	**$ 19,967**	$ 17,903	**$ 39,359**	$ 36,090
Floating rate term, revolving and demand facilities	**81**	678	**910**	1,285
Senior unsecured notes	**4,437**	3,723	**8,310**	7,428
Convertible debentures	**2,407**	1,876	**4,273**	3,742
Subscription receipts payment	**—**	613	**—**	613
Finance costs - operations	**26,892**	24,793	**52,852**	49,158
Amortization of fair value debt adjustment and accretion income	**379**	251	**786**	527
Change in accrued finance costs	**768**	149	**(335)**	124
Amortization of effective swap agreements	**(591)**	(612)	**(1,188)**	(1,230)
Capitalized interest [1]	**471**	—	**767**	—
Amortization of issue premium on senior unsecured notes	**96**	14	**135**	27
Amortization of deferred financing charges	**(1,521)**	(768)	**(2,468)**	(1,596)
Finance costs - operations, paid	**$ 26,494**	$ 23,827	**$ 50,549**	$ 47,010

[1] Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.70% (June 30, 2016 - n/a).

15) 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, 2017	**87,737,709**	**$ 1,016,285**	**60,669,944**	**$ 698,439**	**148,407,653**	**$ 1,714,724**
Net change in EUPP loans receivable	**—**	**44**	**—**	**—**	**—**	**44**
Units issued under DRIP	**705,979**	**9,516**	**500,680**	**6,756**	**1,206,659**	**16,272**
Balance, June 30, 2017	**88,443,688**	**$ 1,025,845**	**61,170,624**	**$ 705,195**	**149,614,312**	**$ 1,731,040**

	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, 2016	77,857,608	$ 877,581	53,658,302	$ 596,304	131,515,910	$ 1,473,885
Net change in EUPP loans receivable	—	34	—	—	—	34
Units issued under DRIP	437,911	5,858	310,542	4,160	748,453	10,018
Units issued (proceeds are net of issue costs)	8,952,400	125,971	6,353,741	93,140	15,306,141	219,111
Balance, June 30, 2016	87,247,919	$ 1,009,444	60,322,585	$ 693,604	147,570,504	$ 1,703,048

16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Items not affecting operating cash:				
Straight-line rent recognition	**$ (3,389)**	$ (2,720)	**$ (6,783)**	$ (5,444)
Amortization of tenant incentives	**2,960**	2,409	**6,502**	4,861
Gain on disposal of investment properties	**—**	(244)	**—**	(26,504)
Depreciation of investment properties	**18,183**	16,218	**35,954**	31,357
Amortization of intangible assets	**1,518**	1,146	**3,369**	2,306
Amortization of deferred leasing costs	**125**	150	**299**	301
Unit based compensation	**8**	11	**18**	24
Amortization of effective swap agreements	**591**	612	**1,188**	1,230
Amortization of deferred financing charges	**1,521**	768	**2,468**	1,596
Amortization of issue premium on senior unsecured notes	**(96)**	(14)	**(135)**	(26)
Non-cash distributions to Unitholders in the form of DRIP Units	**8,012**	5,241	**16,272**	10,018
Taxes - deferred	**(76,400)**	100	**(75,400)**	2,100
Income tax expense	**4**	—	**4**	23
Change in fair value of financial instruments	**(1)**	397	**(102)**	431
	$ (46,964)	$ 24,074	**$ (16,346)**	$ 22,273

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Cash provided by (used in):				
Trade receivables	**$ (8,112)**	$ (16,064)	**$ (5,167)**	$ (17,906)
Prepaid expenses and deposits and other assets	**(17,077)**	(8,817)	**(6,985)**	(11,983)
Payables and other liabilities	**8,532**	11,980	**10,885**	9,636
	$ (16,657)	$ (12,901)	**$ (1,267)**	$ (20,253)

c) Reconciliation between the opening and closing balances for liabilities from financing activities

	Mortgages		Floating rate credit facilities		Senior unsecured notes			Convertible debentures	
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value	Deferred financing costs
Balance, beginning of period	$ 1,655,817	$ 9,859	$ 220,374	$ 855	$ 400,000	$ 240	$ 1,652	$ 134,400	$ 2,266
Issue of mortgages	192,783	—	—	—	—	—	—	—	—
Repayment of mortgages	(65,306)	—	—	—	—	—	—	—	—
Repayment of floating credit facilities	—	—	(178,316)	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	75,000	1,413	—	—	—
Additions to deferred financing costs	—	2,074	—	56	—	—	347	—	—
Total financing cash flow activities	1,783,294	11,933	42,058	911	475,000	1,653	1,999	134,400	2,266
Amortization of issue premium	—	—	—	—	—	(135)	—	—	—
Amortization of deferred financing charges	—	(1,077)	—	(243)	—	—	(308)	—	(840)
Total financing non-cash activities	—	(1,077)	—	(243)	—	(135)	(308)	—	(840)
Balance, end of period	$ 1,783,294	$ 10,856	$ 42,058	$ 668	$ 475,000	$ 1,518	$ 1,691	$ 134,400	$ 1,426

17) RELATED PARTY TRANSACTIONS

As at June 30, 2017, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Property revenue				
Property revenue	**$ 57,665**	$ 47,726	**$ 106,530**	$ 85,069
Head lease income	**$ 188**	$ 83	**$ 362**	$ 205
Lease termination income	**$ 12**	$ —	**$ 41**	$ —
Property operating expenses	**$ (7)**	$ (20)	**$ (13)**	$ (27)
General and administrative expenses				
Property management services recovered	**$ 169**	$ 279	**$ 319**	$ 570
Other general and administrative expenses	**$ (72)**	$ (50)	**$ (137)**	$ (100)
Finance costs - operations				
Interest on convertible debentures	**$ (299)**	$ (299)	**$ (595)**	$ (598)
Interest rate subsidy	**$ 80**	$ 69	**$ 179**	$ 153
Interest income	**$ —**	$ 178	**$ —**	$ 355
Finance costs - distributions to Unitholders	**$ (13,795)**	$ (12,671)	**$ (27,535)**	$ (24,837)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement. Revenue generated from the Management Agreement is being recognized in general and administrative expenses.

In addition to the above:

- On May 4, 2017, Crombie acquired a development property in British Columbia for $31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for $8,320 before closing and transaction costs.
- During the six months ended June 30, 2017, Crombie issued 500,680 (June 30, 2016 - 310,542) Class B LP Units to ECLD under the DRIP (Note 15).

18) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at June 30, 2017:

Financial assets	Level	**June 30, 2017**	December 31, 2016	June 30, 2016
Marketable securities	**1**	**$ 1,235**	$ —	$ —
Marketable securities	**3**	**—**	2,290	2,148
Total financial assets measured at fair value		**$ 1,235**	$ 2,290	$ 2,148

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of $2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the six months ended June 30, 2017.

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	June 30, 2017		December 31, 2016		June 30, 2016	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables[1]	**$ 6,701**	**$ 6,676**	$ 19,999	$ 19,969	$ 14,200	$ 14,158
Total other financial assets	**$ 6,701**	**$ 6,676**	$ 19,999	$ 19,969	$ 14,200	$ 14,158
Financial liabilities						
Investment property debt	**$ 1,890,062**	**$ 1,825,352**	$ 1,959,091	$ 1,876,191	$ 2,016,614	$ 1,866,186
Senior unsecured notes	**477,643**	**475,000**	402,361	400,000	409,790	400,000
Convertible debentures	**137,436**	**134,400**	139,147	134,400	139,844	134,400
Total other financial liabilities	**$ 2,505,141**	**$ 2,434,752**	$ 2,500,599	$ 2,410,591	$ 2,566,248	$ 2,400,586

[1] Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from third parties.

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding embedded derivatives).

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the six months ended June 30, 2017. The more significant risks, and the actions 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. 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.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants:

- Crombie's largest tenant, Sobeys, represents 53.0% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 5.0% of Crombie's minimum rent.
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the three months ended June 30, 2017, Sobeys represents 51.0% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 9.6% of Crombie's total property revenue.
- Over the next five years, no more than 4.5% of the gross leaseable area of Crombie will expire in any one year.

There have been no significant changes to Crombie's credit risk since December 31, 2016.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

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 recent years' 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, 2017	**$ 21**	**$ (21)**
Three months ended June 30, 2016	$ 198	$ (198)
Six months ended June 30, 2017	**$ 128**	**$ (128)**
Six months ended June 30, 2016	$ 320	$ (320)

There have been no significant changes to Crombie’s interest rate risk since December 31, 2016.

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, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

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]	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**
Fixed rate mortgages[2]	$ 2,161,299	$ 204,508	$ 136,625	$ 394,597	$ 158,526	$ 292,911	$ 974,132
Senior unsecured notes	520,514	17,379	187,728	134,053	181,354	—	—
Convertible debentures	149,073	63,931	3,906	3,906	77,330	—	—
	2,830,886	285,818	328,259	532,556	417,210	292,911	974,132
Floating rate debt	44,187	1,115	43,072	—	—	—	—
Total	$ 2,875,073	$ 286,933	$ 371,331	$ 532,556	$ 417,210	$ 292,911	$ 974,132

[1] Contractual cash flows include principal and interest and ignore extension options.
[2] Reduced by the interest rate subsidy payments to be received from Empire.

There have been no significant changes to Crombie's liquidity risk since December 31, 2016.

19) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, 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, 2017	December 31, 2016	June 30, 2016
Investment property debt	**$ 1,813,828**	$ 1,865,477	$ 1,856,047
Senior unsecured notes	**474,827**	398,588	398,334
Convertible debentures	**132,974**	132,134	131,826
Crombie REIT Unitholders	**873,700**	834,203	833,039
SVU and Class B LP Unitholders	**583,615**	555,943	554,842
	$ 3,878,944	$ 3,786,345	$ 3,774,088

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).

For debt to gross book value calculation, Crombie does not include in total debt 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. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Fixed rate mortgages	**$ 1,783,294**	$ 1,655,817	$ 1,518,846
Senior unsecured notes	**475,000**	400,000	400,000
Convertible debentures	**134,400**	134,400	134,400
Revolving credit facility	**12,058**	120,374	247,340
Bilateral credit facility	**30,000**	100,000	100,000
Total debt outstanding	**2,434,752**	2,410,591	2,400,586
Less: Applicable fair value debt adjustment	**(1,273)**	(1,452)	(1,567)
Debt	**$ 2,433,479**	$ 2,409,139	$ 2,399,019
Income properties, cost	**$ 4,153,178**	$ 4,132,541	$ 4,083,342
Properties under development, cost	**66,663**	33,442	27,074
Below-market lease component, cost [1]	**85,950**	85,946	87,827
Investment in joint ventures	**2,940**	815	—
Other assets, cost (see below)	**315,829**	300,923	300,200
Deferred financing charges	**14,641**	14,631	14,646
Interest rate subsidy	**(1,273)**	(1,452)	(1,567)
Fair value adjustment to deferred taxes	**—**	(34,120)	(34,299)
Gross book value	**$ 4,637,928**	$ 4,532,726	$ 4,477,223
Debt to gross book value	**52.5%**	53.1%	53.6%

[1] Below-market lease component is included in the carrying value of investment properties and assets held for sale.

Other assets are calculated as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Other assets per Note 5	**$ 254,187**	$ 245,783	$ 249,885
Add:			
Tenant incentive accumulated amortization	**61,642**	55,140	50,315
Other assets, cost	**$ 315,829**	$ 300,923	$ 300,200

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 fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at June 30, 2017, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

20) 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 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 obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2017, Crombie has a total of $5,327 in outstanding letters of credit related to:

	June 30,	
	2017	2016
Construction work being performed on investment properties	**$ 2,327**	$ 1,691
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	**3,000**	—
Total outstanding letters of credit	**$ 5,327**	$ 1,691

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 eight to 73 years including renewal options. For the three and six months ended June 30, 2017, Crombie paid $476 and $778 respectively in land lease payments to third party landlords (three and six months ended June 30, 2016 - $355 and $710). Crombie's commitments under the land leases are disclosed in Note 12.

As at June 30, 2017, Crombie had signed construction contracts totalling $72,998 of which $47,171 has been paid.

21) SUBSEQUENT EVENTS

(a) On July 4, 2017, Crombie redeemed the $60,000, 5.00% Series D Convertible Unsecured Subordinated Debentures.

(b) On July 6, 2017, Crombie acquired a 100% occupied, 61,000 square foot grocery anchored retail plaza located at 1215-1255 McCowan Road, Toronto, Ontario. The property was acquired from a third party vendor for a purchase price of $42,000, excluding closing and transaction costs. The site includes 4.5 acres of land and has potential for high density redevelopment.

(c) On July 19, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2017 to and including, July 31, 2017. The distributions will be paid on August 15, 2017, to Unitholders of record as of July 31, 2017.

22) 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.

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

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Trustee and Chairman

Paul D. Sobey
Trustee

Brian A. Johnson
Independent Trustee

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Fred Santini
General Counsel

Scott R. MacLean
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Senior Vice President Corporate Development

Cheryl Fraser
Chief Talent Officer and Vice President Communications

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INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or request to:
Glenn R. Hynes, FCPA, FCA
Executive Vice President, 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, AST Trust Company (Canada).

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WHY CROMBIE?

An investment in Crombie REIT provides the opportunity to achieve steady income growth and capital appreciation in one of the most reliable and defensive segments in commercial real estate.

- Strong Unitholder Return
- High quality, diversified and defensive grocery anchored retail portfolio
- Proven growth and value creation track record
- Large development pipeline opportunity
- Investment grade rating – strong and improving fundamentals
- Strong capital structure, moderate leverage and ample liquidity
- Strong management

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