

SECOND QUARTER REPORT
Six Months Ended June 30, 2018

BUILDING A BETTER REIT



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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL
CONDITIONS FOR THE
THREE AND SIX MONTHS ENDED
JUNE 30, 2018

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, 2018, with a comparison to the financial condition and results of operations for the comparable periods in 2017.

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, 2018, 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, 2017, 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 8, 2018, 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, 2017 MD&A which can be found on SEDAR. Forward-looking statements include:

- (i) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition 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;
- (ii) statements 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 existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;
- (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) 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, e-commerce and supply of competitive locations in proximity to Crombie locations;
- (v) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities; and,
- (vi) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

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, unencumbered assets, estimated yield on cost 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, 2018 and 2017 are as follows:

As at								
	June 30, 2018			June 30, 2017				
Number of income-producing properties	290			281				
Gross leaseable area (square feet)	18,778,000			19,115,000				
Debt to gross book value - fair value basis	49.9%			49.8%				
Weighted average interest rate								
Mortgage debt	4.30%			4.34%				
All fixed rate debt	4.18%			4.23%				
	Three months ended June 30,			Six months ended June 30,				
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	2018		2017		2018		2017	
Property revenue	\$	104,143	\$	101,591	\$	209,848	\$	203,722
Property net operating income	\$	74,218	\$	71,798	\$	147,019	\$	142,534
Same-asset property cash NOI	\$	62,308	\$	60,580	\$	123,948	\$	120,700
Operating income attributable to Unitholders	\$	49,033	\$	96,343	\$	74,478	\$	115,327
Operating income attributable to Unitholders per unit - basic	\$	0.32	\$	0.65	\$	0.49	\$	0.77
Operating income attributable to Unitholders per unit - diluted	\$	0.32	\$	0.63	\$	0.49	\$	0.76
FFO (see FFO section)								
Basic	\$	46,325	\$	43,335	\$	92,189	\$	87,263
Diluted	\$	47,299	\$	45,057	\$	94,131	\$	90,697
Per unit – basic	\$	0.31	\$	0.29	\$	0.61	\$	0.59
Per unit – diluted	\$	0.30	\$	0.29	\$	0.61	\$	0.58
Payout ratio (%)		72.7%		76.7%		73.0%		76.0%
AFFO (see AFFO section)								
Basic	\$	39,492	\$	35,532	\$	78,156	\$	71,664
Diluted	\$	40,466	\$	36,506	\$	80,098	\$	73,606
Per unit – basic	\$	0.26	\$	0.24	\$	0.52	\$	0.48
Per unit – diluted	\$	0.26	\$	0.24	\$	0.52	\$	0.48
Payout ratio (%) ⁽¹⁾		85.3%		93.6%		86.1%		92.6%
Distributions per unit	\$	0.22	\$	0.22	\$	0.45	\$	0.45
ACFO (see ACFO section)	\$	42,790	\$	37,705	\$	80,977	\$	74,414
ACFO payout ratio (%) ⁽¹⁾		78.7%		88.2%		83.1%		89.2%
Interest service coverage						2.90		2.82
Debt service coverage						1.88		1.85

⁽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,	
	2018	2017	2018	2017
Basic number of Units for all measures	151,224,827	149,205,424	151,032,465	148,899,737
Diluted for operating income attributable to Unitholders purposes	155,694,436	156,660,108	155,502,074	156,358,533
Diluted for FFO purposes	155,694,436	156,660,108	155,502,074	156,358,533
Diluted for AFFO purposes	155,694,436	153,675,033	155,502,074	153,373,458

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

- Second quarter property revenue of \$104,143, an increase of \$2,552 or 2.5% over second quarter 2017.
- Completed property transactions (dollar amounts are before closing and transaction costs) including:
 - Acquisitions in the three months ended June 30, 2018 of 10 retail properties and additions to two existing retail properties from Sobeyes, a related party, for a total purchase price of \$100,610.
 - Dispositions in the three months ended June 30, 2018 of two retail properties and one mixed use property totalling 338,000 square feet for proceeds of \$74,250 and disposition of 50% interest in nine retail properties for consideration of \$77,929.
- Second quarter operating income attributable to Uniholders of \$49,033, a decrease of \$47,310 compared to the second quarter of 2017. During the second quarter of 2017, Crombie completed a tax reorganization resulting in a deferred tax recovery of \$76,400. Dispositions in the second quarter of 2018 resulted in a gain on disposal of \$33,502.
- FFO for the three months ended June 30, 2018 increased 6.9% to \$46,325; or \$0.30 per unit diluted, an increase of 5.6% per unit from the three months ended June 30, 2017.
- AFFO for the three months ended June 30, 2018 increased 11.1% to \$39,492; or \$0.26 per unit diluted, an increase of 9.4% per unit from the three months ended June 30, 2017.
- ACFO for the three months ended June 30, 2018 increased 13.5% to \$42,790 from the three months ended June 30, 2017.
- FFO payout ratio of 72.7% for the three months ended June 30, 2018 compared to 76.7% for the same period in 2017. AFFO payout ratio of 85.3% for the three months ended June 30, 2018 compared to 93.6% for the same period in 2017. ACFO payout ratio of 78.7% for the three months ended June 30, 2018 compared to 88.2% for the same period in 2017.
- Same-asset property cash NOI for the three months ended June 30, 2018 increased by 2.9% or \$1,728 (\$62,308 compared to \$60,580 for the three months ended June 30, 2017).
- Overall leased space (occupied plus committed square feet) was 96.1% at June 30, 2018 compared with 95.2% at December 31, 2017 and 94.6% at June 30, 2017.
- Crombie's renewal activity during the six months ended June 30, 2018 included renewals on 366,000 square feet of 2018 expiring leases with an increase of 3.1% over the expiring lease rate and renewals on 59,000 square feet of future years expiring leases with a decrease of 2.7% over the expiring lease rate.
- New leases and expansions increased occupancy by 144,000 square feet at June 30, 2018 at an average first year rate of \$15.66 per square foot.
- Debt to gross book value (fair value basis) was 49.9% at June 30, 2018, compared to 49.8% at June 30, 2017.
- Crombie's interest service coverage for the six months ended June 30, 2018 was 2.90 times EBITDA and debt service coverage was 1.88 times EBITDA, compared to 2.82 times EBITDA and 1.85 times EBITDA, respectively, for the six months ended June 30, 2017.

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 commercial 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, 2018, Crombie owned a portfolio of 290 income-producing properties in 10 provinces, comprising approximately 18.8 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% (fully diluted 40.3%) economic and voting interest in Crombie at June 30, 2018.

Business Objectives and Outlook

Crombie describes its business objectives and outlook in the MD&A for the year ended December 31, 2017.

Business Environment

Crombie describes its business environment in the MD&A for the year ended December 31, 2017.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Acquisitions and Dispositions

Prices are in thousands of CAD dollars and are stated before transaction and closing costs.

Acquisitions

Date	Property	Location	Vendor	Strategy	Number of properties	Ownership		
						Interest	Sq. ft.	Price
2018 First quarter								
There were no acquisitions during the three months ended March 31, 2018					—		—	\$ —
2018 Second quarter								
April 6, 2018	Edson Sobeys	Edson, AB	Empire	Income-producing	1	100%	33,000	5,300
April 6, 2018	Strathmore NE Sobeys	Strathmore, AB	Empire	Income-producing	1	100%	35,000	10,200
April 6, 2018	Hollick Kenyon Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	30,000	11,800
April 6, 2018	Thornbury Foodland	Thornbury, ON	Empire	Income-producing	1	100%	40,000	11,850
April 6, 2018	Gatineau IGA Extra	Gatineau, QC	Empire	Income-producing	1	100%	71,800	15,550
April 6, 2018	Rimouski IGA Extra	Rimouski, QC	Empire	Income-producing	1	100%	52,700	7,900
April 6, 2018	Baie St-Paul IGA	Baie St-Paul, QC	Empire	Income-producing	1	100%	64,600	8,300
April 6, 2018	Saint-Pie Tradition	Saint-Pie, QC	Empire	Income-producing	1	100%	13,800	2,600
April 6, 2018	Havre St-Pierre Tradition	Havre St-Pierre, QC	Empire	Income-producing	1	100%	26,400	5,000
April 6, 2018	Elmwood Alcool NB Liquor/ Dollarama ⁽¹⁾	Elmwood, NB	Empire	Income-producing	—	100%	20,800	5,170
April 6, 2018	Chateauguay Familiprix ⁽¹⁾	Chateauguay, QC	Empire	Income-producing	—	100%	32,900	4,440
June 29, 2018	Victoria Trail	Edmonton, AB	Empire	Income-producing	1	100%	37,000	12,500
Total acquisitions in 2018 to the date of the MD&A					10		458,000	\$100,610

⁽¹⁾ Additions to existing retail properties

2017

March 16, 2017	Walker Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	50,000	\$ 8,320
May 4, 2017	Belmont Market land	Langford, BC	Empire	Development	—	100%	—	31,252
July 5, 2017	St-Amable	St-Amable, QC	Third party	Income-producing	1	100%	64,000	14,100
July 6, 2017	McCowan & Ellesmere	Toronto, ON	Third party	Development	1	100%	61,000	42,000
August 14, 2017	Marche Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	52,000	13,207
August 25, 2017	Centre Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	44,000	14,950
September 5, 2017	St-Anne-de-Beaupre	St-Anne-de-Beaupre, QC	Third party	Income-producing	1	100%	38,000	6,900
September 5, 2017	Rimouski	Rimouski, QC	Third party	Income-producing	1	100%	41,000	9,100
September 29, 2017	Stittsville ⁽²⁾	Stittsville, ON	Empire	Income-producing	—	100%	31,000	7,671
Total acquisitions for the year ended December 31, 2017					7		381,000	\$147,500

⁽²⁾ Relates to an acquisition of additional development on a pre-existing retail property

Dispositions of Investment Properties

Date	Property	Location	Number of properties	Ownership		
				Interest	Sq. ft.	Price
2018 First quarter						
February 5, 2018	Whitehorse Plaza	Simcoe, ON	1	100%	92,000	\$ 15,000
February 20, 2018	Perth Mews	Perth, ON	1	100%	103,000	20,627
March 6, 2018	Belmont Market land	Langford, BC	—	100%	—	5,725
					195,000	41,352
2018 Second Quarter						
April 19, 2018	Red Deer Cineplex	Red Deer, AB	1	100%	40,000	14,000
May 11, 2018	10 Alkenbrack St	Napanee, ON	1	100%	25,000	9,000
Northam portfolio						
May 11, 2018	16th Ave Safeway	Calgary, AB	—	50%	21,000	
May 11, 2018	Ancaster Sobeys	Ancaster, ON	—	50%	33,000	
May 11, 2018	Brampton Plaza	Brampton, ON	—	50%	38,000	
May 11, 2018	Danforth	Scarborough, ON	—	50%	3,000	
May 11, 2018	Marpole Safeway	Vancouver, BC	—	50%	24,000	
May 11, 2018	McKenzie Town Dr Shoppers	Calgary, AB	—	50%	9,000	
May 11, 2018	Millwoods Common	Edmonton, AB	—	50%	29,000	
May 11, 2018	Nottingham	Sherwood Park, AB	—	50%	23,000	
May 11, 2018	Southbrook	Edmonton, AB	—	50%	23,000	
May 11, 2018	Northam portfolio total ⁽¹⁾		—		203,000	77,929
June 18, 2018	Park Lane	Halifax, NS	1	100%	273,000	51,250
					541,000	152,179
Total dispositions in 2018 to the date of the MD&A			5		736,000	\$ 193,531
⁽¹⁾ Represents disposition of 50% interest in a portfolio of nine retail properties. The square footage and price reflect the 50% amounts.						
2017						
December 12, 2017	Willowcreek Plaza	Peterborough, ON	1	100%	67,000	\$ 15,600
Total dispositions for the year ended December 31, 2017			1		67,000	\$ 15,600

⁽¹⁾ Represents disposition of 50% interest in a portfolio of nine retail properties. The square footage and price reflect the 50% amounts.

Overview of the Property Portfolio

At June 30, 2018, Crombie's property portfolio consisted of 290 income-producing properties that contain approximately 18.8 million square feet of GLA in all 10 provinces.

As at June 30, 2018, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)				Number of Income- Producing Properties	% of GLA	% of Annual Minimum Rent
	January 1, 2018	Acquisitions (Dispositions)	Other	June 30, 2018			
AB	3,424,000	(10,000)	5,000	3,419,000	59	18.2%	20.8%
BC	1,779,000	(24,000)	—	1,755,000	41	9.3%	11.4%
MB	644,000	—	—	644,000	15	3.4%	4.3%
NB	1,493,000	21,000	2,000	1,516,000	20	8.1%	6.0%
NL	1,329,000	—	(136,000)	1,193,000	13	6.4%	9.4%
NS	5,269,000	(273,000)	(1,000)	4,995,000	41	26.6%	20.3%
ON	2,836,000	(254,000)	(15,000)	2,567,000	48	13.7%	14.6%
PE	124,000	—	—	124,000	2	0.7%	0.7%
QC	1,849,000	262,000	—	2,111,000	43	11.2%	10.1%
SK	454,000	—	—	454,000	8	2.4%	2.4%
Total	19,201,000	(278,000)	(145,000)	18,778,000	290	100.0%	100.0%

During the six months ended June 30, 2018, Crombie had a net decrease of 278,000 square feet of GLA from acquisition and disposition activity consisting of:

- Alberta - disposition of 50% interest in five retail properties representing 105,000 square feet and 100% interest in one retail property totalling 40,000 square feet, offset in part by the acquisition of four retail properties totalling 135,000 square feet;
- British Columbia - disposition of 50% interest in one retail property representing 24,000 square feet;
- New Brunswick - acquisition of a 21,000 square foot addition to an existing property;
- Nova Scotia - disposition of one mixed use property totalling 273,000 square feet;
- Ontario - disposition of 50% interest in three retail properties representing 74,000 square feet and 100% interest in three retail properties totalling 220,000 square feet, offset in part by the acquisition of one retail property totalling 40,000 square feet; and
- Quebec - acquisition of five retail properties totalling 229,000 square feet and a 33,000 square foot addition to an existing property.

Changes in GLA included in Other in the above table include increases for additions to GLA on existing properties and decreases primarily related to GLA removals in preparation for property redevelopment.

As at June 30, 2018, our allocation of Annual Minimum Rent consists of: Atlantic Canada 36.2%; Central Canada 25.0%; and Western Canada 38.8%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Property Categorization

Crombie breaks out its property count and square footage by the following categories:

	Q2 2018			Q1 2018		
	# of Properties	GLA	Fair Value	# of Properties	GLA	Fair Value
Same-asset	261	16,027,000	4,003,000	264	16,472,000	4,189,000
Major Development	3	488,000	402,000	4	530,000	407,000
Other Property Redevelopment	9	1,509,000	164,000	9	1,506,000	164,000
Acquisitions - 2018 ⁽¹⁾	10	404,000	94,000	—	—	—
Acquisitions - 2017 ⁽¹⁾	7	350,000	112,000	7	350,000	112,000
Total Non Same-asset	29	2,751,000	772,000	20	2,386,000	683,000
Total Income Producing Properties	290	18,778,000	4,775,000	284	18,858,000	4,872,000
Properties Under Development ⁽²⁾	4	—	87,000	4	—	71,000
Total Properties	294	18,778,000	4,862,000	288	18,858,000	4,943,000

⁽¹⁾ Excludes acquisitions of additions to existing properties.

⁽²⁾ Four properties plus development lands adjacent to an existing income producing property.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the six months ended June 30, 2018 were as follows:

Province	Occupied space (sq. ft.)						Economic Occupancy %	Committed Space (sq. ft.) ⁽³⁾	Total Leased Space (sq. ft.)	Leased June 30, 2018
	January 1, 2018	Acquisitions (Dispositions)	New Leases ⁽¹⁾	Lease Expiries	Other Changes ⁽²⁾	June 30, 2018				
AB	3,419,000	(10,000)	16,000	(4,000)	(5,000)	3,416,000	99.9%	1,000	3,417,000	99.9%
BC	1,775,000	(24,000)	—	—	—	1,751,000	99.8%	1,000	1,752,000	99.8%
MB	644,000	—	—	—	—	644,000	100.0%	—	644,000	100.0%
NB	1,266,000	21,000	42,000	(5,000)	—	1,324,000	87.3%	73,000	1,397,000	92.2%
NL	1,300,000	—	6,000	(12,000)	(125,000)	1,169,000	98.0%	8,000	1,177,000	98.7%
NS	4,748,000	(256,000)	49,000	(40,000)	(13,000)	4,488,000	89.8%	65,000	4,553,000	91.2%
ON	2,665,000	(217,000)	10,000	—	(18,000)	2,440,000	95.1%	26,000	2,466,000	96.1%
PE	124,000	—	—	—	—	124,000	100.0%	—	124,000	100.0%
QC	1,826,000	251,000	—	—	—	2,077,000	98.4%	1,000	2,078,000	98.4%
SK	426,000	—	21,000	—	(9,000)	438,000	96.5%	—	438,000	96.5%
Total	18,193,000	(235,000)	144,000	(61,000)	(170,000)	17,871,000	95.2%	175,000	18,046,000	96.1%

⁽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 increased to 175,000 square feet at June 30, 2018, from 91,000 square feet at December 31, 2017.

Overall leased space (occupied plus committed) increased from 95.2% at December 31, 2017 to 96.1% at June 30, 2018. During 2018, Crombie had a net decrease from dispositions and acquisitions of 235,000 square feet and had new leases outpace lease expiries by 83,000 square feet.

New leases and expansions increased occupancy by 144,000 square feet at June 30, 2018 at an average first year rate of \$15.66 per square foot. 126,000 square feet are new leases at an average rate of \$15.89 per square foot while the remaining 18,000 square feet are expansions of existing tenants at an average rate of \$14.10 per square foot. 175,000 square feet of space was committed at June 30, 2018 at an average first year rate of \$12.47 per square foot.

During the six months ended June 30, 2018, renewal activity was as follows:

	Quarter			YTD		
	Square Feet	Rate PSF	Growth%	Square Feet	Rate PSF	Growth %
2018 Renewals	113,000	\$ 26.93	2.8%	366,000	\$ 19.59	3.1 %
Future Year Renewals	25,000	18.67	7.6%	59,000	13.55	(2.7)%
Total	138,000	\$ 25.46	3.4%	425,000	\$ 18.76	2.5 %

Crombie's renewal activity for the six months ending June 30, 2018 included renewals on 425,000 square feet with an increase of 2.5% over expiring rate. 2018 was impacted by renewals on certain office leases at lower rent and future year renewals was impacted by a specific tenant renewal. During the quarter, Crombie renewed 138,000 square feet with an increase of 3.4% over expiring 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, 2018, 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 Commercial Mixed Use	285	17,779,000	94.7%	96.3%	96.5%
Office	5	999,000	5.3%	3.7%	88.5%
Total	290	18,778,000	100.0%	100.0%	96.1%

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

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 Commercial 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.

Retail and commercial mixed use properties represent 94.7% of Crombie's GLA and 96.3% of annual minimum rent at June 30, 2018 compared to 94.8% of GLA and 96.1% of annual minimum rent at June 30, 2017.

Leased space in retail and commercial mixed use properties of 96.5% at June 30, 2018, increased from 94.9% at June 30, 2017. Leased space in office properties of 88.5% decreased from 89.6% at June 30, 2017.

Lease Maturities

The following table sets out, as of June 30, 2018, 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
2018	108	566,000	3.0%	\$ 13.68
2019	174	928,000	4.9%	17.01
2020	163	656,000	3.5%	19.43
2021	162	776,000	4.1%	18.78
2022	177	787,000	4.2%	19.83
Thereafter	746	14,333,000	76.4%	18.52
Total	1,530	18,046,000	96.1%	\$ 18.40

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, 2018.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
Sobeys ⁽¹⁾	55.1%	14.1 years	BB (high)
Shoppers Drug Mart	4.9%	9.7 years	BBB
Dollarama	1.1%	6.2 years	BBB
Province of Nova Scotia	1.1%	0.9 years	A (high)
CIBC	1.1%	13.1 years	AA
GoodLife Fitness	1.1%	8.6 years	
Lawtons/Sobeys Pharmacy	1.0%	9.0 years	BB (high)
Bank of Montreal	1.0%	9.1 years	AA
Bank of Nova Scotia	0.9%	3.4 years	AA
Cineplex	0.8%	10.2 years	
Total	68.1%		

⁽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 55.1% of annual minimum rent and Shoppers Drug Mart which accounts for 4.9% of annual minimum rent, no other tenant accounts for more than 1.1% of Crombie's annual minimum rent. During the three months ended June 30, 2018, Crombie sold two properties where Cineplex was a tenant resulting in a decrease in their percentage of Crombie's annual minimum rent from 1.4% at March 31, 2018.

For the six months ended June 30, 2018, Sobeys also represents 51.3% 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 10.8 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 14.1 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 an important reality across the country, Crombie is focused on evaluating and undertaking major developments at certain properties, where incremental costs to develop are greater than \$50 million and where Development may include a combination of commercial and / or residential uses ("Major Developments").

Crombie believes in the potential to unlock significant value within our current pipeline of 23 Major Development properties (five Active Major Developments and 18 Potential Major Developments) over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by these properties 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 5.3% on existing asset cost for our development pipeline properties.

Crombie enjoys value from our 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 primarily purpose built residential rental accommodations that provide 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 our 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 yield 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 12 Major Development properties) are in a current approximate range of 3% - 4% for comparable developments, NAV creation through development can be substantial.

On April 3, 2018 Crombie entered into a joint venture Partnership with Montreal-based Prince Developments. Crombie will sell a 50% interest in the Bronte Village development in Oakville, Ontario and will acquire a 50% interest in the new Le Duke mixed use development at 297 Rue Duke in Montreal. The transfers of title are expected to occur in August 2018.

In the sections that follow (Active Major Developments and Potential Major Developments), Crombie has identified 23 Major Development projects as at June 30, 2018, (March 31, 2018 - 22) with a total projected cost to develop these properties of \$3 to \$4.5 billion (March 31, 2018 - \$3 to \$4.5 billion). This range represents Crombie at closer to 100% ownership of the projected costs at the top end and lower ownership assumptions at the low end, calculated on a project by project basis.

Development	# of Projects	Total Projected Cost Range (in billions of CAD \$)	Commercial		Residential	
			GLA on Completion	Incremental GLA	Incremental GLA	# of Units
Active Major Development	5	\$ 0.5 - 0.5	453,000	255,000	976,000	1,200
Potential Major Development	18	2.5 - 4.0	1,177,000	540,000	7,500,000	9,000
Total Developments	23	\$ 3.0 - 4.5	1,630,000	795,000	8,476,000	10,200

Active Major Developments

The below table provides additional detail into Crombie's Active Major Developments by property type. In the quarter, Le Duke and Bronte Village were added to Active Major Developments, while Penhorn Phase I was removed from the Active Major Developments due to the immaterial size of the project.

Property	Use	Commercial GLA on Completion	Residential GLA on Completion	Estimated Final Completion Date	At Crombie's Share (\$ in millions)				
					Estimated Annual NOI	Estimated Total Cost (1)	Estimated Yield on Cost (1)	Estimated Cost to Complete	
Income Properties - Major Development									
Davie Street(2)	Retail	53,000	—	Q2 2020	\$ 1.8-2.0	\$ 28.5	6.3%-6.9%	\$ 20.6	
Avalon Mall - Phase I	Retail	—	—	Q4 2019	—	54.5	—	33.3	
Avalon Mall - Phase II(3)	Retail	165,000	—	Q2 2020	5.8-7.5	57.8	10.0%-13.0%	52.1	
Subtotal IPP - Major Development		218,000	—		\$ 7.6-9.5	\$ 140.8	5.4%-6.7%	\$ 106.0	
Properties Under Development ("PUD")									
Belmont Market(4)	Retail, Office	160,000	—	Q4 2018(5)	\$ 5.1-5.8	\$ 93.0	5.5%-6.3%	\$ 42.5	
Subtotal PUD		160,000	—		\$ 5.1-5.8	\$ 93.0	5.5%-6.3%	\$ 42.5	
Total Investment Properties		378,000	—		\$ 12.7-15.3	\$ 233.8	5.4%-6.5%	\$ 148.5	
Properties Held in Joint Ventures									
Davie Street(2)	Residential	—	253,000	Q2 2020	\$ 4.0-4.3	\$ 76.3	5.2%-5.7%	\$ 52.6	
Le Duke(6)	Retail, Residential	27,000	251,000	Q3 2020	3.1-3.7	61.8	5.0%-6.0%	51.7	
Bronte Village(6)	Retail, Residential	48,000	472,000	Q2 2021	6.9-8.3	138.6	5.0%-6.0%	117.5	
Total Properties Held in Joint Venture		75,000	976,000		\$ 14.0-16.4	\$ 276.7	5.1%-5.9%	\$ 221.8	
Total Active Major Developments		453,000	976,000		\$ 26.7-31.7	\$ 510.5	5.2%-6.2%	\$ 370.3	

⁽¹⁾ Estimated Total Cost/Yield on Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, predevelopment costs, construction costs, tenant costs and financing costs.

⁽²⁾ Crombie will own 100% of the retail with a total project cost of \$28 million. Sobeys will continue lease payments through the development period to retain the rights under their existing lease. Crombie has entered into a JV partnership agreement with a Vancouver based development partner (Westbank) and will own 50% of the residential with a total project cost of \$153 million.

⁽³⁾ Avalon Mall total GLA is expected to be 593,000 square feet when Phase II is complete. 165,000 square feet relates to the expected square footage related to the redeveloped portion of the mall.

⁽⁴⁾ Belmont is not yet included in property count as it is a greenfield development.

⁽⁵⁾ Rents from certain leases in Phase I of Belmont Market development commence in Q4 2018. The timing of future phases will depend on pre-leasing activity.

⁽⁶⁾ The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has agreed to sell a 50% interest in the Bronte Village development in South Oakville and acquire a 50% interest in Le Duke. Title transfer is expected in August 2018.

1641 Davie Street, Vancouver, British Columbia

Davie Street is currently under active development, and is being developed in conjunction with our partner, Westbank Corp. as an approximate 306,000 square foot mixed use property. Demolition of the existing structure was completed in 2017 and final stages of the excavation were completed in May 2018. Installation of foundations is well underway and both tower cranes are erected signaling Crombie's first major mixed use project is making an impact on the Vancouver skyline. This development includes a new grocery store at approximately 44,000 square feet with almost 9,000 square feet of ancillary retail space and rental residential space totaling up to 253,000 square feet (up to 330 rental units) in two residential towers. Estimated total project cost is \$181 million, \$104.8 million at Crombie's share. Crombie will own 100% of the commercial component and 50% of the rental residential component.

Avalon Mall - Phase I & II, St. John's, Newfoundland and Labrador

Avalon Mall is the largest enclosed shopping mall in St. John's, Newfoundland and Labrador. Crombie has initiated a three year capital investment program to enhance Avalon Mall's position as the dominant enclosed mall in the province. The investment program began in 2017 and phase I includes construction of a four-level 875 space parking structure, redesign and phased renovation of the mall's interior common areas, and the redesign and realignment of the main mall vehicular access with a combined capital investment of \$54.5 million over three years. The parkade is currently under construction and is expected to be complete in October 2018. The redesign and phased renovation of the common areas began in January 2018, with an estimated completion date of the second quarter of 2019.

Crombie obtained possession of the 129,000 square foot space formerly occupied by Sears effective February 2018, enabling the redevelopment of this section of the mall. This \$57.8 million phase II redevelopment involves demolition of approximately 50,000 square feet of the Sears space, renovation of the remaining portion into new mall retail units, and an expansion of the existing mall toward Kenmount Road. The redevelopment provides an opportunity to replace the former Sears space with new and/or completely renovated modern tenant spaces, common areas, and mall exterior. This phase of the redevelopment commenced in March 2018 with the start of the Sears demolition, and occupancy of the new retail units is expected to begin in Q3 2019. Construction of the expansion area will continue throughout 2019 with occupancy expected in 2020. Leasing activity has commenced with advanced discussions with potential national anchor and CRU tenants.

A Phase III development is also planned for an 8.6 acre property abutting Avalon Mall, on Kenmount Road, acquired in 2012. The redevelopment will replace two aging buildings with new retail space with modern design, additional parking, and integration of this property with Avalon Mall by significantly improving vehicular and pedestrian connectivity between the two properties.

Belmont Market, Langford (Victoria), British Columbia

Belmont Market is being developed as a grocery anchored mixed use centre in Langford (Victoria), BC which Crombie owns 100% of the 160,000 square foot retail component currently under active development. The retail development is expected to cost approximately \$93.0 million and will include a 53,000 square foot Thrifty Foods store and approximately 107,000 square feet of additional retail and office space on 13 acres of land. The development retains the flexibility to add density in the future on an additional 1.7 acres of land. Ledcor Developments has closed on over half of the 5.55 acres of land for \$5.7 million that is under sales agreement for purpose of Ledcor constructing 437 units of low rise residential rental and market condos on the site. Phase I of construction has commenced on three retail buildings, which are scheduled to open in fall 2018, and construction of the grocery store is now underway with completion scheduled for early Spring 2019. The second phase of development is also underway which includes an 18,500 square foot building that will house the Thrifty's office. 105,000 square feet of the overall development has committed leases or is in advanced stages of negotiation, and 96% of phase I is currently leased.

Le Duke, 297 Rue Duke, Montreal, Quebec

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development with partner Prince Developments has total project costs estimated at \$123.5 million, \$61.8 million at Crombie's share, and includes a 25 storey mixed use tower with 251,000 square feet and 390 residential rental units, a 25,000 square foot grocery store, 1,000 square feet of retail space, and 200 underground parking stalls. Development of Le Duke began late in 2017 with demolition of the existing structure and excavation for the below grade parking is currently underway. This development is expected to be complete in Q3 2020.

The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has agreed to sell a 50% interest in the Bronte Village development in South Oakville and acquire a 50% interest in Le Duke. Title transfer is expected in August 2018.

Bronte Village, 2441 Lakeshore Road West, Oakville, Ontario

Bronte Village is located in South Oakville at the intersection of Lakeshore and Bronte Roads. The 5.66 acre property is being redeveloped from a single storey, multi-tenant commercial retail mall, to a mixed use residential property in conjunction with our partner, Prince Developments. This development includes the existing 30,000 square foot grocery store while adding 18,000 square feet of retail and two luxury residential towers totaling 472,000 square feet of residential rental space in up to 480 units. The existing grocery store will remain operational during the development. Demolition of the existing mall was completed in June. Conditional SPA was achieved for the commercial component and SPA for the residential component is with the Town for review. Building permits to follow. Total project cost is estimated at \$277.2 million, \$138.6 million at Crombie's share. This development is expected to be complete in Q2 2021.

The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has agreed to sell a 50% interest in Bronte Village and acquire a 50% interest in the Le Duke mixed use development project in Montreal. Title transfer is expected in August 2018.

Potential Major Developments

In addition to Active Major Developments in the previous section, Crombie's current Potential Major Developments have the potential to add up to 540,000 square feet (March 31, 2018 - 600,000 square feet) of commercial GLA and up to 7,500,000 square feet (up to 9,000 units) (March 31, 2018 - 8,000,000 square feet and 9,500 units) of residential GLA (which may include a combination of rental or condominium units). The change in GLA and units since March 31, 2018 is primarily due to the advancement of Bronte Village from "Development Planning" status to "Active Major Developments".

Based on Crombie's current estimates, total costs to develop these properties could reach \$2.5 to \$4 billion (\$3 to \$4.5 billion including Active Major Developments). 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, 2018, Crombie has identified the following 18 Potential Major Development locations as having potential to become Active 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 at present. The time horizon 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 (acres)	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1.	1780 East Broadway (Broadway and Commercial)	Vancouver, BC	2.43	Safeway	Yes	Yes	Pre-planning
2.	1170 East 27 Street (Lynn Valley)	North Vancouver, BC	2.82	Safeway	Yes	Yes	Pre-planning
3.	524 Elbow Drive SW (Mission)	Calgary, AB	1.60	Safeway	Yes	Yes	Pre-planning
4.	5235 Kingsway (Royal Oak)	Burnaby, BC	2.76	Safeway	Yes	Yes	Pre-planning
5.	Penhorn Lands	Dartmouth, NS	26.12	Land	Yes	Yes	Pre-planning
6.	East Hastings	Burnaby, BC	3.30	Safeway/Other tenants	Yes	Yes	TBD ⁽¹⁾
7.	10355 King George Boulevard	Surrey, BC	5.07	Safeway	Yes	Yes	TBD
8.	2733 West Broadway	Vancouver, BC	1.95	Safeway	Yes	Yes	TBD
9.	3410 Kingsway	Vancouver, BC	3.74	Safeway/Other tenants	Yes	Yes	TBD
10.	990 West 25 Avenue (King Edward)	Vancouver, BC	1.80	Safeway	Yes	Yes	TBD
11.	813 11 Avenue SW	Calgary, AB	2.59	Safeway	Yes	Yes	TBD
12.	410 10 Street NW	Calgary, AB	1.73	Safeway	Yes	Yes	TBD
13.	10930 82 Avenue	Edmonton, AB	2.44	Safeway/Other tenants	Yes	Yes	TBD
14.	Brampton Mall	Brampton, ON	8.74	Retail	Yes	Yes	TBD
15.	Centennial Parkway	Hamilton, ON	2.75	Retail	Yes	Yes	TBD
16.	McCowan & Ellesmere	Toronto, ON	4.5	Sobeys/Other tenants	Yes	Yes	TBD
17.	Triangle Lands	Halifax, NS	0.68	Land	Yes	Yes	TBD
18.	Scotia Square	Halifax, NS	14.47	Office/Retail	Yes	Yes	TBD

⁽¹⁾ TBD: to be determined

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 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 rezoning process to capitalize on the recently adopted community plan which permits up to 24 storeys above the retail podium and a floor to space ratio of 5.7 times.

1170 East 27th Street, North Vancouver (Lynn Valley), 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. Rezoning of this property is required prior to proceeding with any redevelopment.

524 Elbow Drive SW, Calgary (Mission), 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 continue when market conditions improve and redevelopment of this site is warranted.

5235 Kingsway (Royal Oak), Burnaby, British Columbia

The Royal Oak Safeway is located in close proximity to Metrotown in Burnaby - an area experiencing significant redevelopment as a result of a recently adopted Metrotown Downtown Plan in 2017. The high profile, 2.76 acre site has the potential for redevelopment to occur in the near future. Initial planning has commenced and a comprehensive rezoning plan is being developed to facilitate discussions with the City of Burnaby.

Penhorn Lands, Dartmouth (Halifax), Nova Scotia

The Penhorn Lands is a development site located at the intersection of Highway 111 and Portland Street in Dartmouth (Halifax), Nova Scotia that was purchased from Empire in 2016. Crombie has initiated pre-planning activity for future mixed residential development on 26 acres of this development site located adjacent to a Crombie owned grocery anchored property, Penhorn Plaza.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	June 30, 2018	December 31, 2017	June 30, 2017
Total assets	\$ 4,063,543	\$ 4,086,854	\$ 3,988,083
Total investment property debt and unsecured debt	\$ 2,451,846	\$ 2,501,748	\$ 2,421,629
Debt to gross book value - fair value basis ⁽¹⁾	49.9%	50.3%	49.8%

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

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Property revenue	\$104,143	\$101,591	\$ 2,552	\$209,848	\$203,722	\$ 6,126
Property operating expenses	29,925	29,793	(132)	62,829	61,188	(1,641)
Property NOI	74,218	71,798	2,420	147,019	142,534	4,485
NOI margin percentage	71.3%	70.7%	0.6%	70.1%	70.0%	0.1%
Other items:						
Gain on disposal of investment properties	33,502	—	33,502	45,343	—	45,343
Impairment of investment properties	(8,000)	—	(8,000)	(8,000)	—	(8,000)
Depreciation and amortization	(19,719)	(19,826)	107	(47,751)	(39,622)	(8,129)
General and administrative expenses	(4,626)	(5,160)	534	(9,117)	(10,156)	1,039
Finance costs – operations	(26,381)	(26,892)	511	(53,090)	(52,852)	(238)
Income from equity accounted investments	39	27	12	74	27	47
Operating income before taxes	49,033	19,947	29,086	74,478	39,931	34,547
Taxes – current	—	(4)	4	—	(4)	4
Taxes – deferred	—	76,400	(76,400)	—	75,400	(75,400)
Operating income attributable to Unitholders	49,033	96,343	(47,310)	74,478	115,327	(40,849)
Finance costs – distributions to Unitholders	(33,688)	(33,248)	(440)	(67,294)	(66,363)	(931)
Finance income (costs) – change in fair value of financial instruments	(50)	1	(51)	245	102	143
Increase (decrease) in net assets attributable to Unitholders	\$ 15,295	\$ 63,096	\$ (47,801)	\$ 7,429	\$ 49,066	\$ (41,637)
Operating income attributable to Unitholders per Unit, Basic	\$ 0.32	\$ 0.65		\$ 0.49	\$ 0.77	
Operating income attributable to Unitholders per Unit, Diluted	\$ 0.32	\$ 0.63		\$ 0.49	\$ 0.76	
Basic weighted average Units outstanding (in 000's)	151,225	149,205		151,032	148,900	
Diluted weighted average Units outstanding (in 000's)	155,694	156,660		155,502	156,359	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22		\$ 0.45	\$ 0.45	

Operating Results

For the three months ended June 30, 2018, Operating income before taxes of \$49,033 increased by \$29,086 or 145.8% compared to the three months ended June 30, 2017. The increase was primarily due to:

- gain on disposal of \$33,502 on the disposition of a 50% interest in a portfolio of nine retail properties as well as the disposition of a mixed use property and two additional retail properties;
- an increase in Property NOI of \$2,420 or 3.4% which is impacted by same-asset NOI growth of \$1,728 and acquisitions early in the second quarter of 2018 and in the third quarter of 2017, offset in part by dispositions in the first and second quarters of 2018 and the fourth quarter of 2017; and,
- a decrease in general and administrative expenses of \$534 or 10.3% primarily related to professional fees incurred in 2017 on the tax reorganization as discussed below;

offset in part by:

- the recognition in the second quarter of 2018 of \$8,000 of impairment related to two retail properties.

For the six months ended June 30, 2018, Operating income before taxes of \$74,478 increased by \$34,547 or 86.5% compared to the six months ended June 30, 2017. In addition to the above variance explanations for the three month period, the six months were impacted by the disposition of two retail properties and residential lands adjacent to an existing development property in the first quarter of 2018, resulting in a gain on disposal of \$11,841. This was offset in part by an increase in depreciation and amortization of \$8,129 or 20.5% primarily related to accelerated depreciation on portions of two properties on partial demolition of former Target space for new tenant redevelopment.

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 was reduced to \$NIL and the decrease was 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 were recognized 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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Operating income attributable to Unitholders	\$ 49,033	\$ 96,343	\$ 74,478	\$ 115,327
Finance costs – distributions to Unitholders	(33,688)	(33,248)	(67,294)	(66,363)
Finance income (costs) – change in fair value of financial instruments	(50)	1	245	102
Increase (decrease) in net assets attributable to Unitholders	\$ 15,295	\$ 63,096	\$ 7,429	\$ 49,066

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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Property NOI	\$ 74,218	\$ 71,798	\$ 2,420	\$ 147,019	\$ 142,534	\$ 4,485
Non-cash straight-line rent	(2,504)	(3,389)	885	(5,390)	(6,783)	1,393
Non-cash tenant incentive amortization	2,468	2,960	(492)	6,090	6,502	(412)
Property cash NOI	74,182	71,369	2,813	147,719	142,253	5,466
Acquisitions, dispositions and development property cash NOI	11,874	10,789	1,085	23,771	21,553	2,218
Same-asset property cash NOI	\$ 62,308	\$ 60,580	\$ 1,728	\$ 123,948	\$ 120,700	\$ 3,248

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The \$1,728 or 2.9% increase in same-asset cash NOI for the three months ended June 30, 2018 over the same period in 2017 is primarily the result of improved occupancy rates and revenues from land use intensifications at certain properties.

The \$3,248 or 2.7% increase in same-asset cash NOI for the six months ended June 30, 2018 over the same period in 2017 was impacted by the same factors noted above.

Acquisitions, dispositions and development property cash NOI increased \$1,085 for the three months ended June 30, 2018 and increased \$2,218 for the six months ended June 30, 2018 over the same periods in 2017 primarily due to acquisitions early in the second quarter of 2018 and in the third quarter of 2017, offset in part by dispositions in the first and second quarters of 2018 and the fourth quarter of 2017.

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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,				Six months ended June 30,			
	2018	2017	Variance	Percent	2018	2017	Variance	Percent
Retail and Commercial Mixed Use	\$ 59,873	\$ 57,805	\$ 2,068	3.6 %	\$ 119,055	\$ 115,098	\$ 3,957	3.4 %
Office	2,435	2,775	(340)	(12.3)%	4,893	5,602	(709)	(12.7)%
Same-asset property cash NOI	\$ 62,308	\$ 60,580	\$ 1,728	2.9 %	\$ 123,948	\$ 120,700	\$ 3,248	2.7 %

Variances in same-asset property cash NOI for the three months ended June 30, 2018 compared to the same period in 2017 include:

- Retail and Commercial Mixed Use increased \$2,068 or 3.6% due to the factors noted above.
- Office decreased \$340 or 12.3% as a result of decreases in occupancy to 88.5% at June 30, 2018 from 89.6% at June 30, 2017.

Same-asset property cash NOI for the six months ended June 30, 2018 compared to the same period in 2017 were impacted by these same factors.

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

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Acquisitions and dispositions property cash NOI	\$ 4,167	\$ 3,416	\$ 751	\$ 8,621	\$ 6,689	\$ 1,932
Development property cash NOI	7,707	7,373	334	15,150	14,864	286
Total acquisitions, dispositions and development property cash NOI	\$ 11,874	\$ 10,789	\$ 1,085	\$ 23,771	\$ 21,553	\$ 2,218

For the three months ended June 30, 2018, acquisitions and dispositions property cash NOI increased \$751 compared to the three months ended June 30, 2017. The increase was the result of property acquisitions early in the second quarter of 2018 and during 2017, offset in part by property dispositions in the first and second quarters of 2018 and the fourth quarter of 2017. For the six months ended June 30, 2018, acquisitions and dispositions property cash NOI increased \$1,932 compared to the six months ended June 30, 2017 as a result of the same acquisition and disposition activity.

Development properties include properties earning cash NOI that are: currently being developed; with recently completed development; and, properties scheduled for development. 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.

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, 2018 by province was as follows:

(In thousands of CAD dollars)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
	Property NOI	Property NOI		Property NOI	Property NOI	
AB	\$ 16,315	\$ 16,213	\$ 102	\$ 32,638	\$ 32,265	\$ 373
BC	9,072	9,103	(31)	18,347	18,132	215
MB	3,361	3,351	10	6,739	6,723	16
NB	3,635	3,075	560	6,840	5,948	892
NL	6,539	6,837	(298)	13,273	14,030	(757)
NS	15,407	14,683	724	29,566	28,637	929
ON	10,452	10,880	(428)	21,524	21,543	(19)
PE	437	390	47	857	787	70
QC	7,254	5,548	1,706	13,641	11,043	2,598
SK	1,746	1,718	28	3,594	3,426	168
Total	\$ 74,218	\$ 71,798	\$ 2,420	\$ 147,019	\$ 142,534	\$ 4,485

The significant variances in property NOI for the three months ended June 30, 2018 compared to the same period in 2017 were impacted by property acquisitions and dispositions as follows:

- Alberta - four acquisitions in the second quarter of 2018 and one in the first quarter of 2017, offset in part by the disposition of one retail property and 50% interest in five retail properties in the second quarter of 2018;
- Ontario - three dispositions of retail properties in 2018, two in the first quarter and one in the second quarter, disposition of 50% interest in four retail properties in the second quarter of 2018 and one disposition in the fourth quarter of 2017, offset in part by one acquisition in the second quarter of 2018 and one in the third quarter of 2017; and,
- Quebec - five acquisitions of retail properties in the second quarter of 2018, additions to an existing retail property in the second quarter of 2018 and five acquisitions in the third quarter of 2017.

In addition to the acquisition and disposition activity, the following also impacted comparative property NOI results:

- New Brunswick - leasing activity, including expansions of Sobeys stores in two properties, and acquisition of an addition to an existing retail property;
- Newfoundland and Labrador - vacancy increases in the third and fourth quarters of 2017 primarily related to property redevelopment at Avalon Mall, including the termination of Sears in the first quarter of 2018; and,
- Nova Scotia - improved occupancy from leasing activity.

The variances in property NOI for the six months ended June 30, 2018 compared to the same period in 2017 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. Management uses FFO as 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 earnings amount is a measure of Crombie's ability to generate cash from earnings. 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 of investment properties, 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. 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 ("TI"). 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, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Increase (decrease) in net assets attributable to Unitholders	\$ 15,295	\$ 63,096	\$ (47,801)	\$ 7,429	\$ 49,066	\$ (41,637)
Add (deduct):						
Amortization of tenant incentives	2,468	2,960	(492)	6,090	6,502	(412)
Loss (gain) on disposal of investment properties	(33,502)	—	(33,502)	(45,343)	—	(45,343)
Impairment of investment properties	8,000	—	8,000	8,000	—	8,000
Depreciation of investment properties	17,851	18,183	(332)	44,059	35,954	8,105
Amortization of intangible assets	1,689	1,518	171	3,316	3,369	(53)
Amortization of deferred leasing costs	169	125	44	356	299	57
Depreciation of investment properties included in Income from equity accounted investments	8	—	8	15	—	15
Internal leasing costs	609	606	3	1,218	1,212	6
Taxes – deferred	—	(76,400)	76,400	—	(75,400)	75,400
Finance costs – distributions to Unitholders	33,688	33,248	440	67,294	66,363	931
Finance costs (income) – change in fair value of financial instruments	50	(1)	51	(245)	(102)	(143)
FFO as calculated based on REALPAC recommendations	\$ 46,325	\$ 43,335	\$ 2,990	\$ 92,189	\$ 87,263	\$ 4,926

For the three months ended June 30, 2018, FFO increased by \$2,990 or 6.9% compared to the three months ended June 30, 2017. The increase primarily relates to the previously discussed operating results which are attributable to improved occupancy rates and revenues from land use intensifications at certain properties as well as decreased general and administrative expenses.

For the six months ended June 30, 2018, FFO increased by \$4,926 or 5.6% compared to the six months ended June 30, 2017. The increase relates to the same factors noted above for the three month results.

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 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, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
FFO as calculated based on REALPAC recommendations	\$ 46,325	\$ 43,335	\$ 2,990	\$ 92,189	\$ 87,263	\$ 4,926
Add (deduct):						
Amortization of effective swap agreements	568	591	(23)	1,143	1,188	(45)
Straight-line rent adjustment	(2,504)	(3,389)	885	(5,390)	(6,783)	1,393
Internal leasing costs	(609)	(606)	(3)	(1,218)	(1,212)	(6)
Maintenance expenditures on a square footage basis	(4,288)	(4,399)	111	(8,568)	(8,792)	224
AFFO as calculated based on REALPAC recommendations	\$ 39,492	\$ 35,532	\$ 3,960	\$ 78,156	\$ 71,664	\$ 6,492

For the three months ended June 30, 2018, AFFO increased by \$3,960 or 11.1% compared to the three months ended June 30, 2017. The increase primarily relates to the \$2,990 or 6.9% increase in FFO as previously discussed as well as the reduced impact of straight-line rent on operating results.

For the six months ended June 30, 2018, AFFO increased by \$6,492 or 9.1% compared to the six months ended June 30, 2017. The increase primarily relates to the \$4,926 or 5.6% increase in FFO as previously discussed.

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 2018, Crombie has reduced the normalized rate to \$0.90 per square foot of GLA from the previous rate of \$0.92 per square foot based on the actual spend for 2017 and 2016 and estimated spend for 2018. Additionally, Crombie combines maintenance capital expenditures with maintenance TI and deferred leasing costs in arriving at the normalized per square foot charge to AFFO based on the fact that in years where TI and leasing expenditures are reduced, spending on maintenance capital expenditures may be accelerated and vice versa.

Maintenance Expenditures - Actual

<i>(In thousands of CAD dollars)</i>	Six months ended		Three months ended		Year ended Dec. 31, 2017	Three months ended				Year ended Dec. 31, 2016
	Jun. 30, 2018	Jun. 30, 2017	Jun. 30, 2018	Mar. 31, 2018		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	
Total additions to investment properties	\$ 39,879	\$ 15,992	\$ 16,877	\$ 23,002	\$ 46,800	\$ 16,887	\$ 13,921	\$ 8,751	\$ 7,241	\$ 29,928
Less: revenue enhancing expenditures	(36,177)	(10,896)	(15,316)	(20,861)	(34,317)	(12,032)	(11,389)	(6,713)	(4,183)	(18,948)
Maintenance capital expenditures	3,702	5,096	1,561	2,141	12,483	4,855	2,532	2,038	3,058	10,980
Total additions to TI and deferred leasing costs	10,760	10,232	2,779	7,981	19,660	6,952	2,476	5,324	4,908	75,119
Less: revenue enhancing expenditures	(7,701)	(8,173)	(1,267)	(6,434)	(15,160)	(5,233)	(1,754)	(4,157)	(4,016)	(68,722)
Maintenance TI and deferred leasing costs	3,059	2,059	1,512	1,547	4,500	1,719	722	1,167	892	6,397
Total maintenance expenditures - actual	\$ 6,761	\$ 7,155	\$ 3,073	\$ 3,688	\$ 16,983	\$ 6,574	\$ 3,254	\$ 3,205	\$ 3,950	\$ 17,377
Reserve amount charged against AFFO and ACFO	\$ 8,568	\$ 8,792	\$ 4,288		\$ 17,682			\$ 4,399		\$ 17,626

Maintenance capital expenditures for the six months ended June 30, 2018, 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 2017 and 2018.

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, 2018 consisted primarily of development work and GLA expansions at: Avalon Mall, St. John's, NL; Belmont Market, Victoria, BC; Edmundston Plaza, Edmundston, NB; Algonquin Avenue Mall, North Bay, ON; and, Penhorn lands, Halifax, NS.

Depreciation, Amortization and Impairment

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Same-asset depreciation and amortization	\$ 16,590	\$ 16,733	\$ 143	\$ 33,164	\$ 34,403	\$ 1,239
Acquisitions, dispositions and development depreciation/amortization	3,129	3,093	(36)	14,587	5,219	(9,368)
Depreciation and amortization	\$ 19,719	\$ 19,826	\$ 107	\$ 47,751	\$ 39,622	\$ (8,129)

Same-asset depreciation and amortization decreased by \$143 for the three months ended June 30, 2018 and decreased by \$1,239 for the six months ended June 30, 2018 compared to the same periods in 2017. This is due primarily to one vacated Future Shop lease, which resulted in the write-off of the remainder of the amortization associated with that lease in the first quarter of 2017, and to the expiry of other tenant leases since the first quarter of 2017. Same-asset depreciation and amortization should 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 primarily as a result of the partial demolition of buildings at two redevelopment properties in January 2018. The remaining depreciation on the portion of the buildings was taken in January, resulting in a one-time charge of \$8,444 in depreciation and amortization for the six months ended June 30, 2018. The remaining increase was due to net acquisition activity during 2018 and 2017, including acquisitions in the second quarter of 2018 and the third quarter of 2017 and dispositions in the first and second quarters of 2018 and the fourth quarter of 2017.

During the quarter ended June 30, 2018, Crombie recorded impairments totalling \$8,000 on two retail properties. The impairments were the result of the fair value impact of tenant lease expiries and departures and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$861,527 at June 30, 2018 (June 30, 2017 - \$886,564). 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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Salaries and benefits	\$ 3,044	\$ 2,870	\$ (174)	\$ 6,038	\$ 5,577	\$ (461)
Professional fees	302	794	492	557	1,766	1,209
Public company costs	581	585	4	1,102	1,038	(64)
Rent and occupancy	170	186	16	353	390	37
Other	529	725	196	1,067	1,385	318
General and administrative expenses	\$ 4,626	\$ 5,160	\$ 534	\$ 9,117	\$ 10,156	\$ 1,039
As a percentage of property revenue	4.4%	5.1%	0.7%	4.3%	5.0%	0.7%

For the three months ended June 30, 2018, general and administrative expenses, as a percentage of property revenue, were 4.4%, a decrease of 0.7% from the same period in 2017, with expenses decreasing \$534 or 10.3% and property revenue increasing 2.5%. For the six months ended June 30, 2018, general and administrative expenses, as a percentage of property revenue, decreased 0.7% compared to the six months ended June 30, 2017, with expenses decreasing \$1,039 or 10.2% and property revenue increasing by 3.0%. Effective June 30, 2017, Crombie completed 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 represented 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.

Finance Costs - Operations

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Finance costs	\$ 24,720	\$ 24,780	\$ 60	\$ 49,738	\$ 49,196	\$ (542)
Amortization of effective swaps and deferred financing charges	1,661	2,112	451	3,352	3,656	304
Finance costs – operations	\$ 26,381	\$ 26,892	\$ 511	\$ 53,090	\$ 52,852	\$ (238)

Finance costs for the three and six months ended June 30, 2018 decreased by \$60 and increased by \$542, respectively, compared to the same periods in 2017. While there was minimal change for the three month period, the finance costs were impacted by property acquisitions and dispositions, mortgage payouts and increased utilization of floating rate credit facilities. The increase for the six months relates to the significant acquisition activity in 2017 funded with new mortgages, floating rate bank debt, unsecured notes, proceeds from dispositions and the issuance of new units.

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:

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Distributions to Unitholders	\$ 19,913	\$ 19,654	\$ 39,777	\$ 39,231
Distributions to Special Voting Unitholders	13,775	13,594	27,517	27,132
Total distributions	\$ 33,688	\$ 33,248	\$ 67,294	\$ 66,363
FFO payout ratio	72.7%	76.7%	73.0%	76.0%
AFFO payout ratio	85.3%	93.6%	86.1%	92.6%
ACFO payout ratio	78.7%	88.2%	83.1%	89.2%

The increase in distributions relates to 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 2017 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 completed 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
2017 per \$ of distribution	51.8%	48.0%	0.0%	0.2%
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%

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:

- (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 \$32,422 (\$41,141 including outstanding letters of credit) was drawn at June 30, 2018;
- (ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2019, of up to \$100,000, of which \$100,000 was drawn at June 30, 2018;
- (iii) secured mortgage and term debt on unencumbered assets, Crombie currently has \$1,092,650 of fair value in unencumbered properties;
- (iv) the issuance of additional senior unsecured notes;
- (v) the issuance of additional unsecured convertible debentures; and,
- (vi) the issuance of new units.

In addition to the above, Crombie has a number of active major developments and potential major developments as discussed under the Property Development/Redevelopment ("Development") section of this MD&A. Financing for these Development projects is expected to include specific project/construction financing in place before significant incurrence of project expenditures as well as financing from the various above-noted sources.

Capital Structure

<i>(In thousands of CAD dollars)</i>	June 30, 2018		December 31, 2017		June 30, 2017	
Mortgages	\$ 1,621,658	41.3%	\$ 1,751,096	44.2%	\$ 1,771,770	45.7%
Credit facilities	132,422	3.4%	53,168	1.4%	42,058	1.1%
Senior unsecured notes	624,412	15.9%	624,320	15.8%	474,827	12.2%
Convertible debentures	73,354	1.8%	73,164	1.8%	132,974	3.4%
Crombie REIT Unitholders	884,048	22.5%	873,478	22.1%	873,700	22.5%
Special Voting Units and Class B Limited Partnership Unitholders	591,509	15.1%	583,777	14.7%	583,615	15.1%
	<u>\$ 3,927,403</u>	<u>100.0%</u>	<u>\$ 3,959,003</u>	<u>100.0%</u>	<u>\$ 3,878,944</u>	<u>100.0%</u>

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 \$32,422 (\$41,141 including outstanding letters of credit) was drawn as at June 30, 2018. 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 Bankers Acceptance or Prime Rate Advances 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, 2018, 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 \$100,000 was drawn as at June 30, 2018, 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 Bankers Acceptance or Prime Rate Advances 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 and credit facilities

Crombie had fixed rate mortgages outstanding consisting of:

	June 30, 2018	December 31, 2017	June 30, 2017
Fixed rate mortgages	\$ 1,629,296	\$ 1,759,984	\$ 1,780,336
Unamortized fair value debt adjustment	2,411	2,831	2,958
	1,631,707	1,762,815	1,783,294
Deferred financing charges	(10,049)	(11,719)	(11,524)
Total mortgage debt	<u>\$ 1,621,658</u>	<u>\$ 1,751,096</u>	<u>\$ 1,771,770</u>

The mortgages carry a weighted average interest rate of 4.30% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 5.1 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 interest rate swap agreements in place on \$105,119 of floating rate mortgage debt.

Principal repayments of the fixed rate mortgages and credit facilities are scheduled as follows:

<i>(In thousands of CAD dollars)</i>							
Maturing Debt Balances							
12 Months Ending	Mortgages	Credit Facilities	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
Remainder of 2018	\$ —	\$ —	\$ —	0.0%	\$ 26,221	\$ 26,221	1.5%
December 31, 2019	126,978	100,000	226,978	15.7%	53,345	280,323	15.9%
December 31, 2020	225,241	—	225,241	15.5%	46,706	271,947	15.4%
December 31, 2021	89,182	32,422	121,604	8.4%	45,037	166,641	9.5%
December 31, 2022	194,868	—	194,868	13.4%	38,609	233,477	13.2%
Thereafter	681,418	—	681,418	47.0%	101,691	783,109	44.5%
Total ⁽¹⁾	<u>\$ 1,317,687</u>	<u>\$ 132,422</u>	<u>\$ 1,450,109</u>	<u>100.0%</u>	<u>\$ 311,609</u>	<u>\$ 1,761,718</u>	<u>100.0%</u>

⁽¹⁾ Excludes fair value debt adjustment and deferred financing charges.

Of the maturing debt balances, only 26.7% of mortgages and 31.2% of total maturing debt balances mature during this and the next two calendar years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	June 30, 2018	December 31, 2017	June 30, 2017
Series A	October 31, 2018	3.986%	\$ 175,000	\$ 175,000	\$ 175,000
Series B	June 1, 2021	3.720%	175,000	175,000	175,000
Series C	February 10, 2020	2.775%	125,000	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000	—
Unamortized Series B issue premium			1,132	1,323	1,518
Deferred financing charges			(1,720)	(2,003)	(1,691)
			<u>\$ 624,412</u>	<u>\$ 624,320</u>	<u>\$ 474,827</u>

On November 20, 2017, Crombie issued, on a private placement basis, a \$150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured), maturing November 21, 2022.

There are no required periodic principal payments, with the full face value of the Notes due on their respective maturity dates. In December 2017, Crombie entered into a \$175,000 delayed draw unsecured non-revolving credit facility with two Canadian Schedule 1 financial institutions. The facility is dedicated to the refinancing of the \$175,000 of Series A Unsecured Notes maturing October 31, 2018 and has an outside maturity date of October 31, 2020.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	June 30, 2018	December 31, 2017	June 30, 2017
Series D	\$ 20.10	July 4, 2017	5.00%	\$ —	\$ —	\$ 60,000
Series E (CRR.DB.E)	\$ 17.15	March 31, 2021	5.25%	74,400	74,400	74,400
Deferred financing charges				(1,046)	(1,236)	(1,426)
				<u>\$ 73,354</u>	<u>\$ 73,164</u>	<u>\$ 132,974</u>

Maximum REIT Units issuable at June 30, 2018 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 originally scheduled to mature 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.

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

For the six months ended June 30, 2018, Crombie issued 402,858 REIT Units and 285,697 Class B LP Units under its DRIP. Until May 22, 2018, Units were issued under the DRIP at a three percent (3%) discount to market prices. Effective on that date, Crombie amended the DRIP to eliminate the discount such that future Units issued under the DRIP are issued at a price equal to 100% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

Total units outstanding at July 31, 2018, were as follows:

Units	89,543,803
Special Voting Units ⁽¹⁾	61,941,861

⁽¹⁾ Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,941,861 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, 2018, 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

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Operating activities	\$ (8,278)	\$ (525)	\$ (7,753)	\$ 17,534	\$ 31,453	\$ (13,919)
Financing activities	22,943	33,802	(10,859)	(13,290)	22,672	(35,962)
Investing activities	(14,665)	(33,277)	18,612	(4,244)	(54,125)	49,881
Net change during the period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Operating Activities

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	\$ 14,685	\$ 16,105	\$ (1,420)	\$ 30,003	\$ 32,693	\$ (2,690)
Non-cash operating items	(22,963)	(16,630)	(6,333)	(12,469)	(1,240)	(11,229)
Cash provided by (used in) operating activities	\$ (8,278)	\$ (525)	\$ (7,753)	\$ 17,534	\$ 31,453	\$ (13,919)

For the three months ended June 30, 2018, cash used in operating activities increased by \$7,753 over the same period in 2017. During the quarter, distributions reinvested through the DRIP decreased \$4,383. The decrease of \$6,333 in non-cash operating items primarily relates to the timing of payment and collection of property taxes as well as the timing of incurring property operating expenses.

For the six months ended June 30, 2018, cash from operating activities decreased by \$13,919 over the same period in 2017. The decrease primarily relates to the reduced cash from non-cash operating items of \$11,229. This is impacted by \$8,600 received in the first quarter of 2017 for mortgage proceeds held back from December 2016 as well as year over year fluctuations in the timing of payments for expenses. During the first six months of 2018, distributions reinvested through the DRIP decreased \$7,659.

Financing Activities

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Issuance of new mortgages	\$ —	\$ 80,000	\$ (80,000)	\$ —	\$ 192,783	\$ (192,783)
Regular principal repayment of mortgages	(13,124)	(13,048)	(76)	(27,004)	(25,740)	(1,264)
Lump sum principal repayment of mortgages	(34,803)	(21,721)	(13,082)	(64,713)	(38,806)	(25,907)
Net issue (repayment) on credit facilities	71,261	(9,708)	80,969	79,254	(178,316)	257,570
Deferred financing charges - investment property debt	(96)	(822)	726	(231)	(2,130)	1,899
Issuance of senior unsecured notes	—	—	—	—	76,413	(76,413)
Deferred financing charges - senior unsecured notes	—	(59)	59	(118)	(347)	229
Other items (net)	(295)	(840)	545	(478)	(1,185)	707
Cash provided by (used in) financing activities	\$ 22,943	\$ 33,802	\$ (10,859)	\$ (13,290)	\$ 22,672	\$ (35,962)

Cash provided by financing activities for the three months ended June 30, 2018 decreased by \$10,859 from the same period in 2017. During the three months ended June 30, 2018, Crombie repaid \$34,803 (three months ended June 30, 2017 - \$21,721) in maturing mortgages and increased floating rate credit facilities by \$71,261 related to the maturing mortgages and property acquisitions. During the three months ended June 30, 2017, Crombie issued \$80,000 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.

Cash provided by financing activities for the six months ended June 30, 2018 decreased by \$35,962 from the same period in 2017. During the six months ended June 30, 2018, Crombie repaid \$64,713 (six months ended June 30, 2017 - \$38,806) in maturing mortgages and increased floating rate credit facilities by \$79,254. During the six months ended June 30, 2017, Crombie issued \$192,783 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. 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.

Investing Activities

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Acquisition of investment properties	\$(104,795)	\$ (17,490)	\$ (87,305)	\$(104,795)	\$ (25,824)	\$ (78,971)
Additions to investment properties	(16,877)	(8,751)	(8,126)	(39,879)	(15,992)	(23,887)
Proceeds on disposal of investment properties	110,752	—	110,752	151,977	—	151,977
Proceeds on disposal of marketable securities	—	1,220	(1,220)	1,252	1,220	32
Additions to tenant incentives	(2,547)	(4,935)	2,388	(10,262)	(9,611)	(651)
Additions to deferred leasing costs	(232)	(389)	157	(498)	(621)	123
Additions to fixtures and computer equipment	(962)	(1,231)	269	(1,926)	(1,596)	(330)
Additions to investment in joint ventures	(4)	(1,701)	1,697	(113)	(1,701)	1,588
Cash provided by (used in) investing activities	\$ (14,665)	\$ (33,277)	\$ 18,612	\$ (4,244)	\$ (54,125)	\$ 49,881

Cash used in investing activities for the three months ended June 30, 2018 decreased by \$18,612 over the same period in 2017. During the three months ended June 30, 2018, Crombie acquired 10 retail properties and additions to two existing retail properties for net cash of \$104,795 and completed the disposition of two retail properties and one mixed use property and disposition of a 50% interest in nine retail properties for net proceeds of \$110,752. During the three months ended June 30, 2017, Crombie completed one property acquisition for net cash of \$17,490.

Cash used in investing activities for the six months ended June 30, 2018 decreased by \$49,881 over the same period in 2017. During the six months ended June 30, 2018, Crombie completed the acquisitions and dispositions noted above as well as the disposition of two retail properties and vacant land adjacent to a mixed use development property.

Adjusted Cash Flow from Operations (ACFO)

Crombie considers ACFO to be a useful measure in evaluating its ability to generate sustainable, economic cash flows from operating activities 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, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash flow from operations	\$ (8,278)	\$ (525)	\$ 17,534	\$ 31,453
Add (deduct):				
Distributions to unitholders included in cash flow from operations	33,688	33,248	67,294	66,363
Non-cash DRIP amount included in above distributions	(3,629)	(8,012)	(8,613)	(16,272)
Change in non-cash working capital balances not indicative of sustainable cash flows	26,390	18,914	15,539	4,130
Reserve for maintenance expenditures	(4,288)	(4,399)	(8,568)	(8,792)
Amortization of deferred financing charges	(1,093)	(1,521)	(2,209)	(2,468)
ACFO as calculated based on REALPAC recommendations	42,790	37,705	80,977	74,414
Total distributions declared during the period	33,688	33,248	67,294	66,363
Excess of ACFO over total distributions	\$ 9,102	\$ 4,457	\$ 13,683	\$ 8,051
ACFO payout ratio	78.7%	88.2%	83.1%	89.2%

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, 2018, the remaining amount available under the revolving credit facility was \$368,000 (prior to reduction for standby letters of credit outstanding of \$8,719) and was not limited by the Aggregate Borrowing Base. At June 30, 2018, 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 is, 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. Crombie's methodology for determining fair value includes capitalization of net operating income using quarterly capitalization rates from external property valuers. All income properties are also subject to external, independent appraisals on a rotational basis over a period of not more than four years. The valuation techniques are more fully described in Crombie's year end audited financial statements.

The debt to gross book value on a fair value basis was 49.9% at June 30, 2018 compared to 49.8% at June 30, 2017. This leverage ratio is 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, 2018, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties increased 0.06% to 5.99%.

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	As at				
	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017
Fixed rate mortgages	\$ 1,631,707	\$ 1,718,804	\$ 1,762,815	\$ 1,776,716	\$ 1,783,294
Senior unsecured notes	625,000	625,000	625,000	475,000	475,000
Convertible debentures	74,400	74,400	74,400	74,400	134,400
Revolving credit facility	32,422	11,161	8,168	100,491	12,058
Bilateral credit facility	100,000	50,000	45,000	100,000	30,000
Total debt outstanding	2,463,529	2,479,365	2,515,383	2,526,607	2,434,752
Less: Applicable fair value debt adjustment	(965)	(1,040)	(1,117)	(1,194)	(1,273)
Debt	\$ 2,462,564	\$ 2,478,325	\$ 2,514,266	\$ 2,525,413	\$ 2,433,479
Investment properties, at fair value	\$ 4,862,000	\$ 4,943,000	\$ 4,944,000	\$ 4,969,000	\$ 4,817,000
Other assets, cost ⁽¹⁾	60,354	33,469	41,056	38,409	54,707
Deferred financing charges	12,815	14,095	14,958	14,847	14,641
Investment in joint ventures	2,715	2,711	2,602	5,213	2,940
Interest rate subsidy	(965)	(1,040)	(1,117)	(1,194)	(1,273)
Gross book value - fair value basis	\$ 4,936,919	\$ 4,992,235	\$ 5,001,499	\$ 5,026,275	\$ 4,888,015
Debt to gross book value - fair value basis	49.9%	49.6%	50.3%	50.2%	49.8%

⁽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, 2018 were 2.90 times EBITDA and 1.88 times EBITDA, respectively. This compares to 2.82 times EBITDA and 1.85 times EBITDA, respectively, for the six months ended June 30, 2017. The change in the coverage ratios is attributable to:

- an increase in adjusted interest expense of \$542 or 1.1% as Crombie reduced fixed rate mortgage debt by \$131,108 since December 31, 2017 and increased lower cost floating rate debt by \$79,254 over that same period; and,
- Crombie's improved operating results as previously discussed, with EBITDA increasing \$5,112 or 3.7%.

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.

(In thousands of CAD dollars, except as otherwise noted)	Six months ended June 30,			
		2018		2017
Property revenue	\$	209,848	\$	203,722
Amortization of tenant incentives		6,090		6,502
Adjusted property revenue		215,938		210,224
Property operating expenses		(62,829)		(61,188)
General and administrative expenses		(9,117)		(10,156)
EBITDA (1)	\$	143,992	\$	138,880
Finance costs – operations	\$	53,090	\$	52,852
Amortization of deferred financing charges		(2,209)		(2,468)
Amortization of effective swap agreements		(1,143)		(1,188)
Adjusted interest expense (2)	\$	49,738	\$	49,196
Debt repayments (advances)	\$	12,883	\$	243,622
Change in fair value debt premium		(268)		(590)
Payments relating to interest rate subsidy		(152)		(179)
Advances (payments) relating to credit facilities		79,254		(178,316)
Lump sum payments on mortgages		(64,713)		(38,806)
Adjusted debt repayments (3)	\$	27,004	\$	25,731
Interest service coverage ratio {(1)/(2)}		2.90		2.82
Debt service coverage ratio {(1)/((2)+(3))}		1.88		1.85

ACCOUNTING

Related Party Transactions

As at June 30, 2018, 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:

(In thousands of CAD dollars)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Property revenue				
Property revenue	\$ 59,425	\$ 57,665	\$ 109,989	\$ 106,530
Head lease income	\$ 161	\$ 188	\$ 340	\$ 362
Lease termination income	\$ —	\$ 12	\$ —	\$ 41
Property operating expenses	\$ (19)	\$ (7)	\$ (24)	\$ (13)
General and administrative expenses				
Property management services recovered	\$ 126	\$ 169	\$ 283	\$ 319
Other general and administrative expenses	\$ (35)	\$ (72)	\$ (93)	\$ (137)
Finance costs - operations				
Interest on convertible debentures	\$ —	\$ (299)	\$ —	\$ (595)
Interest rate subsidy	\$ 76	\$ 80	\$ 152	\$ 179
Finance costs - distributions to Unitholders	\$ (13,977)	\$ (13,795)	\$ (27,921)	\$ (27,535)

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 as a reduction of General and administrative expenses. In addition to the above:

- On June 29, 2018, Crombie acquired one retail property in Alberta for \$12,500 before closing and transaction costs.
- On April 6, 2018, Crombie acquired a portfolio of nine retail properties and additions to two existing retail properties for \$88,110 before closing and transaction costs.
- During the six months ended June 30, 2018, Crombie issued 285,697 (June 30, 2017 - 500,680) Class B LP Units to ECLD under the DRIP.
- 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.

Additional details on Crombie's related party transactions are described in the MD&A for the year ended December 31, 2017.

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 2017 Annual MD&A.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2017 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, 2018:

<i>(In thousands of CAD dollars)</i>		June 30, 2018	December 31, 2017	June 30, 2017
Financial assets	Level			
Marketable securities	1	\$ —	\$ 1,285	\$ 1,235
Total financial assets measured at fair value		\$ —	\$ 1,285	\$ 1,235

There were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2018. During the three months ended March 31, 2018, Crombie sold the marketable securities.

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:

<i>(In thousands of CAD dollars)</i>	June 30, 2018		December 31, 2017		June 30, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables ⁽¹⁾	\$ 6,724	\$ 6,716	\$ 6,642	\$ 6,628	\$ 6,701	\$ 6,676
Total other financial assets	\$ 6,724	\$ 6,716	\$ 6,642	\$ 6,628	\$ 6,701	\$ 6,676
Financial liabilities						
Investment property debt	\$ 1,804,384	\$ 1,764,129	\$ 1,846,029	\$ 1,815,983	\$ 1,890,062	\$ 1,825,352
Senior unsecured notes	626,270	625,000	627,120	625,000	477,643	475,000
Convertible debentures	76,632	74,400	76,818	74,400	137,436	134,400
Total other financial liabilities	\$ 2,507,286	\$ 2,463,529	\$ 2,549,967	\$ 2,515,383	\$ 2,505,141	\$ 2,434,752

⁽¹⁾ Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related party and 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.

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, 2018, Crombie has a total of \$8,719 in outstanding letters of credit related to:

<i>(In thousands of CAD dollars)</i>	June 30,	
	2018	2017
Construction work being performed on investment properties	\$ 3,879	\$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	4,840
Total outstanding letters of credit	\$ 8,719	\$ 8,719

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 seven to 72 years including renewal options. For the three and six months ended June 30, 2018, Crombie paid \$464 and \$933 in land lease payments to third party landlords (three and six months ended June 30, 2017 - \$476 and \$778).

As at June 30, 2018, Crombie had signed construction contracts totalling \$180,069 of which \$101,151 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 2017 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, 2018 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 55.1% of annual minimum rent; no other tenant accounts for more than 4.9% 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 \$59,425 and \$109,989 respectively for the three and six months ended June 30, 2018 (three and six months ended June 30, 2017 - \$57,665 and \$106,530 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 4.9% 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.

At each balance sheet date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

There have been no significant changes to Crombie's credit risk since December 31, 2017.

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, 2018:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.1 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 \$32,422 at June 30, 2018;
- Crombie has a floating rate bilateral credit facility available to a maximum of \$100,000 with a balance of \$100,000 at June 30, 2018; and,
- Crombie has interest rate swap agreements in place on \$105,119 of floating rate mortgage debt.

Crombie estimates that \$1,120 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining two quarters of 2018, based on all settled swap agreements as of June 30, 2018.

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	
	Decrease in rate	Increase in rate
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility		
Three months ended June 30, 2018	\$ 177	\$ (177)
Three months ended June 30, 2017	\$ 21	\$ (21)
Six months ended June 30, 2018	\$ 223	\$ (223)
Six months ended June 30, 2017	\$ 128	\$ (128)

There have been no significant changes to Crombie's interest rate risk since December 31, 2017.

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:

(In thousands of CAD dollars)	Twelve months ending June 30,						
	Contractual Cash Flows ⁽¹⁾	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,932,729	\$ 136,981	\$ 392,855	\$ 156,782	\$ 285,195	\$ 277,776	\$ 683,140
Senior unsecured notes	679,907	193,827	140,152	187,455	6,099	152,374	—
Convertible debentures	85,142	3,906	3,906	77,330	—	—	—
	2,697,778	334,714	536,913	421,567	291,294	430,150	683,140
Floating rate credit facilities	139,131	104,199	1,255	33,677	—	—	—
Total	\$ 2,836,909	\$ 438,913	\$ 538,168	\$ 455,244	\$ 291,294	\$ 430,150	\$ 683,140

⁽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, 2017.

SUBSEQUENT EVENTS

- (a) On July 20, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2018 to and including, July 31, 2018. The distributions will be paid on August 15, 2018, to Unitholders of record as of July 31, 2018.
- (b) On July 31, 2018, Crombie announced that effective August 31, 2018, it has exercised its right to redeem its 5.25% Series E Extendible Convertible Unsecured Subordinated Debentures maturing on March 31, 2021 (the "Debentures") in accordance with the terms of the supplemental trust indenture dated August 14, 2013. Upon redemption, Crombie will pay to the holders of Debentures the redemption price equal to the outstanding principal amount of the Debentures to be redeemed, together with all accrued and unpaid interest thereon, for a total of \$1,022.01 per \$1,000 principal amount of Debentures, less any taxes required to be deducted or withheld.

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, 2018. 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, 2017, 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, FFO, distributions and per unit amounts for the eight most recently completed quarters.

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016
Property revenue	\$ 104,143	\$ 105,705	\$ 105,667	\$ 102,424	\$ 101,591	\$ 102,131	\$ 105,269	\$ 98,757
Property operating expenses	29,925	32,904	31,622	28,259	29,793	31,395	29,395	27,732
Property net operating income	74,218	72,801	74,045	74,165	71,798	70,736	75,874	71,025
Gain on disposal	33,502	11,841	2,474	—	—	—	9,761	1,225
Expenses:								
General and administrative	(4,626)	(4,491)	(4,246)	(4,675)	(5,160)	(4,996)	(4,266)	(3,546)
Finance costs - operations	(26,381)	(26,709)	(26,681)	(26,244)	(26,892)	(25,960)	(25,656)	(25,342)
Income (loss) from equity accounted investments	39	35	(7)	41	27	—	—	—
Depreciation and amortization	(19,719)	(28,032)	(20,619)	(21,966)	(19,826)	(19,796)	(19,435)	(19,933)
Impairment	(8,000)	—	—	—	—	—	(6,000)	—
Operating income before taxes	49,033	25,445	24,966	21,321	19,947	19,984	30,278	23,429
Taxes - current	—	—	2,082	—	(4)	—	—	(3)
Taxes - deferred	—	—	—	—	76,400	(1,000)	1,200	(300)
Operating income	49,033	25,445	27,048	21,321	96,343	18,984	31,478	23,126
Finance costs - distributions to Unitholders	(33,688)	(33,606)	(33,511)	(33,385)	(33,248)	(33,115)	(32,987)	(32,890)
Finance income (costs) - change in fair value of financial instruments	(50)	295	18	25	1	101	(46)	789
Increase (decrease) in net assets attributable to Unitholders	\$ 15,295	\$ (7,866)	\$ (6,445)	\$ (12,039)	\$ 63,096	\$ (14,030)	\$ (1,555)	\$ (8,975)
Operating income per unit - Basic	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.65	\$ 0.13	\$ 0.21	\$ 0.16
Operating income per unit - Diluted	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.63	\$ 0.13	\$ 0.21	\$ 0.16

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016
Distributions								
Distributions	\$ 33,688	\$ 33,606	\$ 33,511	\$ 33,385	\$ 33,248	\$ 33,115	\$ 32,987	\$ 32,890
Per unit	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
AFFO ⁽¹⁾ , as adjusted								
Basic	\$ 39,492	\$ 38,664	\$ 39,481	\$ 38,713	\$ 35,532	\$ 36,132	\$ 37,776	\$ 38,131
Per unit - Basic	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24	\$ 0.26	\$ 0.26
Per unit - Diluted ⁽³⁾	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.26
Payout ratio	85.3%	86.9%	84.9%	86.2%	93.6%	91.7%	87.3%	86.3%
FFO ⁽²⁾ , as adjusted								
Basic	\$ 46,325	\$ 45,864	\$ 47,237	\$ 46,652	\$ 43,335	\$ 43,928	\$ 45,964	\$ 46,079
Per unit - Basic	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.30	\$ 0.31	\$ 0.31
Per unit - Diluted ⁽³⁾	\$ 0.30	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.29	\$ 0.31	\$ 0.31
Payout ratio	72.7%	73.3%	70.9%	71.6%	76.7%	75.4%	71.8%	71.4%

⁽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:
 - June 30, 2018 - acquisition of 10 retail properties and additions to two existing retail properties for a total purchase price of \$100,610, disposition of two retail properties and one mixed use property for proceeds of \$74,250 and disposition of a 50% interest in nine retail properties for proceeds of \$77,929;
 - March 31, 2018 - disposition of two retail properties for proceeds of \$35,627 and the disposition of residential lands adjacent to a development property for proceeds of \$5,725;
 - December 31, 2017 - disposition of one retail property for proceeds of \$15,600;
 - September 30, 2017 - acquisition of six retail properties for a total purchase price of \$100,257, and acquisition of additional development on a pre-existing retail property for a total purchase price of \$7,671;
 - 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; and,
 - 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.
- 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 at the time of the tax reorganization was been reduced to \$NIL and the decrease was 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 8, 2018

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
THREE AND SIX MONTHS ENDED
JUNE 30, 2018

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

	Note	June 30, 2018	December 31, 2017
Assets			
Non-current assets			
Investment properties	3	\$ 3,783,820	\$ 3,826,961
Investment in joint ventures	4	2,715	2,602
Other assets	5	228,320	225,908
		<u>4,014,855</u>	<u>4,055,471</u>
Current assets			
Other assets	5	48,688	31,383
Total Assets		<u>4,063,543</u>	<u>4,086,854</u>
Liabilities			
Non-current liabilities			
Fixed rate mortgages	6	1,552,997	1,632,431
Credit facilities	6	32,422	53,168
Senior unsecured notes	7	449,412	449,320
Convertible debentures	8	73,354	73,164
Employee future benefits obligation		8,982	8,849
Trade and other payables	10	10,148	9,558
		<u>2,127,315</u>	<u>2,226,490</u>
Current liabilities			
Fixed rate mortgages	6	68,661	118,665
Credit facilities	6	100,000	—
Senior unsecured notes	7	175,000	175,000
Employee future benefits obligation		282	282
Trade and other payables	10	116,728	109,162
		<u>460,671</u>	<u>403,109</u>
Total liabilities excluding net assets attributable to Unitholders		<u>2,587,986</u>	<u>2,629,599</u>
Net assets attributable to Unitholders		<u>\$ 1,475,557</u>	<u>\$ 1,457,255</u>
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		\$ 884,048	\$ 873,478
Special Voting Units and Class B Limited Partnership Unitholders		591,509	583,777
		<u>\$ 1,475,557</u>	<u>\$ 1,457,255</u>
Commitments and contingencies	20		
Subsequent events	21		

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income
(in thousands of CAD dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Property revenue	11	\$ 104,143	\$ 101,591	\$ 209,848	\$ 203,722
Property operating expenses		29,925	29,793	62,829	61,188
Net property income		74,218	71,798	147,019	142,534
Gain on disposal of investment properties	3	33,502	—	45,343	—
Impairment of investment properties	3	(8,000)	—	(8,000)	—
Depreciation of investment properties	3	(17,851)	(18,183)	(44,059)	(35,954)
Amortization of intangible assets	3	(1,689)	(1,518)	(3,316)	(3,369)
Amortization of deferred leasing costs	3	(169)	(125)	(356)	(299)
Depreciation of fixtures and computer equipment	5	(10)	—	(20)	—
General and administrative expenses	13	(4,626)	(5,160)	(9,117)	(10,156)
Finance costs - operations	14	(26,381)	(26,892)	(53,090)	(52,852)
Income from equity accounted investments	4	39	27	74	27
Operating income before taxes		49,033	19,947	74,478	39,931
Taxes - current	9	—	(4)	—	(4)
Taxes - deferred	9	—	76,400	—	75,400
Operating income attributable to Unitholders		49,033	96,343	74,478	115,327
Finance costs - other					
Distributions to Unitholders		(33,688)	(33,248)	(67,294)	(66,363)
Change in fair value of financial instruments	13	(50)	1	245	102
		(33,738)	(33,247)	(67,049)	(66,261)
Increase in net assets attributable to Unitholders		15,295	63,096	7,429	49,066
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		568	591	1,143	1,188
Net change in derivatives designated as cash flow hedges		294	1,569	918	581
Other comprehensive income		862	2,160	2,061	1,769
Comprehensive income		\$ 16,157	\$ 65,256	\$ 9,490	\$ 50,835

See accompanying notes to the interim condensed consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
	(Note 15)				REIT Units	Class B LP Units
Balance, January 1, 2018	\$ 1,746,139	\$ (285,388)	\$ (3,496)	\$ 1,457,255	\$ 873,478	\$ 583,777
Adjustments related to EUPP	30	11	—	41	41	—
Statements of comprehensive income	—	7,429	2,061	9,490	5,335	4,155
Units issued under Distribution Reinvestment Plan ("DRIP")	8,613	—	—	8,613	5,036	3,577
Units issued under unit based compensation plan	158	—	—	158	158	—
Balance, June 30, 2018	\$ 1,754,940	\$ (277,948)	\$ (1,435)	\$ 1,475,557	\$ 884,048	\$ 591,509

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
	(Note 15)				REIT Units	Class B LP Units
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	—	49,066	1,769	50,835	29,919	20,916
Units issued under 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

See accompanying notes to the interim condensed consolidated financial statements.

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2018	2017	2018	2017
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		\$ 15,295	\$ 63,096	\$ 7,429	\$ 49,066
Items not affecting operating cash	16	(610)	(46,991)	22,574	(16,373)
Change in other non-cash operating items	16	(22,963)	(16,630)	(12,469)	(1,240)
Cash provided by (used in) operating activities		(8,278)	(525)	17,534	31,453
Financing Activities					
Issue of mortgages		—	80,000	—	192,783
Deferred financing charges - investment property debt		(96)	(822)	(231)	(2,130)
Repayment of mortgages		(47,927)	(34,769)	(91,717)	(64,546)
Advance (repayment) of floating rate credit facilities		71,261	(9,708)	79,254	(178,316)
Issue of senior unsecured notes		—	—	—	76,413
Deferred financing charges - senior unsecured notes		—	(59)	(118)	(347)
Amortization of fair value debt adjustment		(123)	(289)	(268)	(589)
Recognition of interest rate subsidy		(76)	(79)	(152)	(171)
Repayment of EUPP loans receivable		15	28	30	44
Collection of (advances on) long-term receivables		(111)	(500)	(88)	(469)
Cash provided by (used in) financing activities		22,943	33,802	(13,290)	22,672
Investing Activities					
Acquisition of investment properties and intangible assets		(104,795)	(17,490)	(104,795)	(25,824)
Additions to investment properties		(16,877)	(8,751)	(39,879)	(15,992)
Proceeds on disposal of investment properties	3	110,752	—	151,977	—
Acquisition of interest in joint ventures		(4)	(1,701)	(113)	(1,701)
Additions to fixtures and computer equipment		(962)	(1,231)	(1,926)	(1,596)
Proceeds on disposal of marketable securities		—	1,220	1,252	1,220
Additions to tenant incentives		(2,547)	(4,935)	(10,262)	(9,611)
Additions to deferred leasing costs		(232)	(389)	(498)	(621)
Cash provided by (used in) investing activities		(14,665)	(33,277)	(4,244)	(54,125)
Net change in cash and cash equivalents					
Cash and cash equivalents, beginning of period		—	—	—	—
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, 2018 and June 30, 2017 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 three and six months ended June 30, 2018 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 8, 2018.

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, 2017.

(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 either recognized as an Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(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, 2018. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of June 30, 2018.

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) Application of new IFRS

(i) IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") issued on July 24, 2014, is the International Accounting Standard Board's (IASB's) replacement of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The Standard includes requirements for classification and measurement of financial instruments, impairment, derecognition and general hedge accounting, and introduces a forward-looking expected loss impairment model. Crombie adopted the standard on January 1, 2018. The adoption of this standard has not had a material impact on Crombie's financial statements.

Financial assets are classified and measured based on the business model used for management of them and the contractual cash flow characteristics of each financial asset. The classification categories for financial assets under IAS 39 are replaced in IFRS 9 with categories that reflect measurement; amortized cost, FVOCI and FVTPL. The IFRS 9 requirements for the classification and measurement of financial liabilities are substantially unchanged from IAS 39. IFRS 9 requires that when a financial liability measured at amortized cost is modified or exchanged, and such a modification or exchange does not result in derecognition, the adjustment to the amortized cost will be recognized in operating income at that time.

The following table summarizes the classification and measurement changes for each class of Crombie's financial assets and financial liabilities upon adoption at January 1, 2018:

IAS 39			IFRS 9	
Financial Asset/Liability	Category	Measurement	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Restricted cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Investment property debt	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

Crombie has adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designated as effective hedging instruments or the line items in which they are included in the statement of financial position. In accordance with the transitional provisions of IFRS 9, changes to hedge accounting policies have been applied prospectively.

At each reporting date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(ii) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The new standard excludes contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. Crombie adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at January 1, 2017. The implementation of IFRS 15 did not have a significant impact on the timing or amount of revenue recognized by Crombie in any year. The presentation of Crombie's property revenue disclosed in Note 11 has been modified to disclose amounts from revenue from contracts with customers separately from operating lease revenue.

(iii) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is not planning to early adopt this standard and expects to complete the assessment of the impact of IFRS 16 on Crombie's consolidated financial statements in time for reporting for the period ending September 30, 2018.

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3) INVESTMENT PROPERTIES

	June 30, 2018	December 31, 2017
Income properties	\$ 3,697,248	\$ 3,751,262
Properties under development	86,572	75,699
	\$ 3,783,820	\$ 3,826,961

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2018	\$ 1,208,424	\$ 2,942,538	\$ 120,650	\$ 8,821	\$ 4,280,433
Acquisitions	26,447	72,998	5,350	—	104,795
Additions	434	28,580	—	1,131	30,145
Dispositions	(43,873)	(112,448)	(4,349)	(681)	(161,351)
Write-off fully depreciated assets	—	(1,692)	(208)	(7)	(1,907)
Balance, June 30, 2018	1,191,432	2,929,976	121,443	9,264	4,252,115

Accumulated depreciation and amortization and impairment

Opening balance, January 1, 2018	2,357	458,973	63,056	4,785	529,171
Depreciation and amortization	—	44,059	3,316	356	47,731
Dispositions	—	(24,822)	(2,855)	(451)	(28,128)
Impairment	—	8,000	—	—	8,000
Write-off fully depreciated assets	—	(1,692)	(208)	(7)	(1,907)
Balance, June 30, 2018	2,357	484,518	63,309	4,683	554,867
Net carrying value, June 30, 2018	\$ 1,189,075	\$ 2,445,458	\$ 58,134	\$ 4,581	\$ 3,697,248

During the quarter ended June 30, 2018, Crombie recorded impairments totalling \$8,000 on two retail properties. The impairments were the result of the fair value impact of tenant lease expiries and departures and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

During the six months ended June 30, 2018, Crombie commenced redevelopment of two properties which included partial demolition of the existing structures. As a result, accelerated depreciation of \$8,444 related to the buildings was recognized.

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	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	20,981	93,298	6,832	—	121,111
Additions	1,966	39,219	—	1,021	42,206
Dispositions	(4,522)	(10,172)	(731)	—	(15,425)
Balance, December 31, 2017	1,208,424	2,942,538	120,650	8,821	4,280,433
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	—	74,845	6,654	708	82,207
Dispositions	—	(1,603)	(696)	—	(2,299)
Balance, December 31, 2017	2,357	458,973	63,056	4,785	529,171
Net carrying value, December 31, 2017	\$ 1,206,067	\$ 2,483,565	\$ 57,594	\$ 4,036	\$ 3,751,262

Properties under development

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2018	\$ 68,725	\$ 6,858	\$ 116	\$ 75,699
Acquisitions	—	—	—	—
Additions	1,294	15,149	210	16,653
Dispositions	(5,780)	—	—	(5,780)
Balance, June 30, 2018	\$ 64,239	\$ 22,007	\$ 326	\$ 86,572

On March 6, 2018 Crombie disposed of 1.47 hectares of residential lands adjacent to a commercial development project in Langford, British Columbia. The transaction was completed with a third party.

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2017	\$ 33,442	\$ —	\$ —	\$ 33,442
Acquisitions	31,252	—	—	31,252
Additions	4,031	6,858	116	11,005
Balance, December 31, 2017	\$ 68,725	\$ 6,858	\$ 116	\$ 75,699

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

Fair value

Crombie's total fair value of investment properties exceeds carrying value by \$861,527 at June 30, 2018 (December 31, 2017 - \$900,804). 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, 2018	\$ 4,862,000	\$ 4,000,473
December 31, 2017	\$ 4,944,000	\$ 4,043,196

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Carrying value consists of the net carrying value of:

	Note	June 30, 2018	December 31, 2017
Income properties	3	\$ 3,697,248	\$ 3,751,262
Properties under development	3	86,572	75,699
Accrued straight-line rent receivable	5	76,524	72,743
Tenant incentives	5	140,129	143,492
Total carrying value		<u>\$ 4,000,473</u>	<u>\$ 4,043,196</u>

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with the comparative rates adjusted to reflect this change. Crombie 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, 2018	5.99%	\$	(196,000)	\$ 197,000
December 31, 2017	5.93%	\$	(198,000)	\$ 217,000

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.

2018

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2018	Third party	(1)	(92,000)	\$ (15,000)	\$ —
February 20, 2018	Third party	(1)	(103,000)	(20,627)	—
April 6, 2018 ⁽¹⁾	Related party	9	421,000	88,110	—
April 19, 2018	Third party	(1)	(40,000)	(14,000)	—
May 11, 2018	Third party	(1)	(25,000)	(9,000)	—
May 11, 2018 ⁽²⁾	Third party	(9)	(203,000)	(77,929)	—
June 18, 2018	Third party	(1)	(273,000)	(51,250)	—
June 29, 2018	Related party	1	37,000	12,500	—
			(278,000)	\$ (87,196)	\$ —

⁽¹⁾ Includes additions to two existing retail properties.

⁽²⁾ Represents disposition of 50% interest in a portfolio of properties.

All the dispositions to date in 2018 were transacted with third parties. The properties disposed had a total fair value of \$181,659 at the end of the quarter preceding date of disposition resulting in a fair value gain of \$6,981 before closing and transaction costs. Acquisitions completed on April 6, 2018 and June 29, 2018 were transacted with Empire, a related party.

2017

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
March 16, 2017	Related party	1	50,000	\$ 8,320	\$ —
			50,000	\$ 8,320	—

The acquisition on March 16, 2017 was transacted with Empire, a related party.

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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,	
	2018	2017	2018	2017
Income property acquired, net:				
Land	\$ 26,447	\$ —	\$ 26,447	\$ —
Buildings	72,998	—	72,998	7,859
Intangibles	5,350	—	5,350	475
Net purchase price	<u>\$ 104,795</u>	<u>\$ —</u>	<u>\$ 104,795</u>	<u>\$ 8,334</u>

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Investment property disposed:				
Gross proceeds	\$ 153,013	\$ —	\$ 194,365	\$ —
Selling costs	(3,290)	—	(3,417)	—
	<u>149,723</u>	<u>—</u>	<u>190,948</u>	<u>—</u>
Carrying values derecognized				
Land	(36,636)	—	(49,653)	—
Buildings	(72,413)	—	(87,626)	—
Intangibles	(1,395)	—	(1,494)	—
Deferred leasing costs	(215)	—	(230)	—
Tenant Incentives	(4,178)	—	(4,794)	—
Accrued straight-line rent	(1,228)	—	(1,609)	—
Provisions	(156)	—	(199)	—
Gain on disposal	<u>\$ 33,502</u>	<u>\$ —</u>	<u>\$ 45,343</u>	<u>\$ —</u>

On disposition of the 50% interest in a portfolio of properties, the joint partner assume \$38,971 of the related mortgages:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Proceeds per above	\$ 149,723	\$ —	\$ 190,948	\$ —
Mortgages assumed	(38,971)	—	(38,971)	—
Cash proceeds	<u>\$ 110,752</u>	<u>\$ —</u>	<u>\$ 151,977</u>	<u>\$ —</u>

4) INVESTMENT IN JOINT VENTURES

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

	June 30, 2018	December 31, 2017
1600 Davie Limited Partnership	<u>50.0%</u>	<u>50.0%</u>
140 CPN Limited	<u>50.0%</u>	<u>50.0%</u>

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

	June 30, 2018	December 31, 2017
Non-current assets	\$ 26,242	\$ 18,743
Current assets	18,414	16,782
Non-current liabilities	36,209	26,982
Current liabilities	3,017	3,339
Net assets	<u>\$ 5,430</u>	<u>\$ 5,204</u>
Crombie's investment in joint ventures	<u>\$ 2,715</u>	<u>\$ 2,602</u>

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	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 190	\$ 104	\$ 332	\$ 104
Property operating expenses	(53)	(22)	(119)	(22)
General and administrative expenses	(32)	(6)	(20)	(6)
Depreciation of investment properties	(16)	—	(30)	—
Finance costs - operations	(12)	(22)	(16)	(22)
Net income	\$ 77	\$ 54	\$ 147	\$ 54
Crombie's income from equity accounted investments	\$ 39	\$ 27	\$ 74	\$ 27

5) OTHER ASSETS

	June 30, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 15,596	\$ —	\$ 15,596	\$ 8,741	\$ —	\$ 8,741
Provision for doubtful accounts	(276)	—	(276)	(194)	—	(194)
Net trade receivables	15,320	—	15,320	8,547	—	8,547
Prepaid expenses and deposits	28,818	—	28,818	18,177	—	18,177
Fair value of interest rate swap agreements	4,122	—	4,122	3,204	—	3,204
Marketable securities	—	—	—	1,285	—	1,285
Fixtures and computer equipment ⁽¹⁾	—	5,046	5,046	—	3,140	3,140
Restricted cash	333	—	333	75	—	75
Accrued straight-line rent receivable	—	76,524	76,524	—	72,743	72,743
Tenant incentives	—	140,129	140,129	—	143,492	143,492
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	95	250	345	95	297	392
Amount receivable from third parties	—	6,266	6,266	—	6,131	6,131
	\$ 48,688	\$ 228,320	\$ 277,008	\$ 31,383	\$ 225,908	\$ 257,291

⁽¹⁾ For the six months ended June 30, 2018, depreciation of fixtures and computer equipment was \$20 (December 31, 2017 - nil).

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2018	\$ 211,394	\$ 67,902	\$ 143,492
Additions	7,521	—	7,521
Amortization	—	6,090	(6,090)
Disposition	(9,533)	(4,739)	(4,794)
Write-off fully depreciated assets	(22)	(22)	—
Balance, June 30, 2018	\$ 209,360	\$ 69,231	\$ 140,129
Balance, January 1, 2017	\$ 187,162	\$ 55,140	\$ 132,022
Additions	24,239	—	24,239
Amortization	—	12,768	(12,768)
Disposition	(7)	(6)	(1)
Balance, December 31, 2017	\$ 211,394	\$ 67,902	\$ 143,492

See Note 18(a) for fair value information.

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6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2018	December 31, 2017
Fixed rate mortgages	2.35 - 6.90%	4.30%	5.1 years	\$ 1,631,707	\$ 1,762,815
Floating rate revolving credit facility			3.0 years	32,422	8,168
Unsecured bilateral credit facility			0.9 years	100,000	45,000
Deferred financing charges				(10,049)	(11,719)
				<u>\$ 1,754,080</u>	<u>\$ 1,804,264</u>
Mortgages					
Non-current				\$ 1,552,997	\$ 1,632,431
Current				68,661	118,665
Credit facilities					
Non-current				32,422	53,168
Current				100,000	—
				<u>\$ 1,754,080</u>	<u>\$ 1,804,264</u>

As at June 30, 2018, mortgage retirements on a calendar year basis are:

	Weighted average interest rates on maturing mortgages	Maturities	Principal payments	Total
Remainder of 2018	—%	\$ —	\$ 26,221	\$ 26,221
December 31, 2019	4.47%	126,978	53,345	180,323
December 31, 2020	4.96%	225,241	46,706	271,947
December 31, 2021	3.91%	89,182	45,037	134,219
December 31, 2022	3.92%	194,868	38,609	233,477
Thereafter	4.25%	681,418	101,691	783,109
		<u>\$ 1,317,687</u>	<u>\$ 311,609</u>	1,629,296
Deferred financing charges				(10,049)
Unamortized fair value debt adjustment				2,411
				<u><u>\$ 1,621,658</u></u>

Specific investment properties with a carrying value of \$2,973,820 as at June 30, 2018 (December 31, 2017 - \$3,145,224) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

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Mortgage Activity

For the six months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
June 30, 2018	Repaid	11	4.98%	—	—	\$ (64,713)
	Disposition ⁽¹⁾	9	4.27%	—	—	(38,971)
						<u>\$ (103,684)</u>

⁽¹⁾ Represents disposition of 50% interest in mortgages related to partial disposition of a portfolio of properties.

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

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of \$400,000 (December 31, 2017 - \$400,000) and matures 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, 2018 – borrowing base of \$400,000). Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advance 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 Bankers Acceptance or Prime Rate Advance 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, 2018	December 31, 2017
Series A	October 31, 2018	3.986%	\$ 175,000	\$ 175,000
Series B	June 1, 2021	3.962%	175,000	175,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Unamortized Series B issue premium			1,132	1,323
Deferred financing charges			(1,720)	(2,003)
			<u>\$ 624,412</u>	<u>\$ 624,320</u>

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12 Months Ending	Series A		Series B		Series C		Series D		Total
June 30, 2019	\$	175,000	\$	—	\$	—	\$	—	175,000
June 30, 2020		—		—		125,000		—	125,000
June 30, 2021		—		175,000		—		—	175,000
June 30, 2022		—		—		—		—	—
June 30, 2023		—		—		—		150,000	150,000
	\$	175,000	\$	175,000	\$	125,000	\$	150,000	625,000
Unamortized Series B issue premium									1,132
Deferred financing charges									(1,720)
									<u>\$ 624,412</u>

In December 2017, Crombie entered into a \$175,000 delayed draw unsecured non-revolving credit facility with two Canadian Schedule 1 financial institutions. The facility is dedicated to the refinancing of the \$175,000 Series A Unsecured Notes maturing October 31, 2018 and has an outside maturity date of October 31, 2020.

See Note 18(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2018	December 31, 2017
Series E (CRR.DB.E)	\$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(1,046)	(1,236)
				<u>\$ 73,354</u>	<u>\$ 73,164</u>

See Note 18(a) for fair value information.

9) INCOME TAXES

The tax recovery (expense) consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Taxes - current				
Taxes - operating income earned in corporate subsidiaries	\$ —	\$ (4)	\$ —	\$ (4)
Total current taxes	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (4)</u>
Taxes - deferred				
Provision for income taxes at the expected rate	\$ —	\$ —	\$ —	\$ (6,067)
Tax effect of income attribution to Crombie's Unitholders	—	—	—	5,067
Impact of tax reorganization	—	76,400	—	76,400
Total deferred taxes	<u>\$ —</u>	<u>\$ 76,400</u>	<u>\$ —</u>	<u>\$ 75,400</u>

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.

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10) TRADE AND OTHER PAYABLES

	June 30, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 45,618	\$ —	\$ 45,618	\$ 40,317	\$ —	\$ 40,317
Property operating costs	39,544	—	39,544	38,300	—	38,300
Prepaid rents	8,642	—	8,642	7,205	—	7,205
Finance costs on investment property debt, notes and debentures	10,081	—	10,081	10,629	—	10,629
Distributions payable	11,234	—	11,234	11,182	—	11,182
Unit based compensation plans	1,455	5,602	7,057	1,351	4,978	6,329
Deferred revenue	154	4,546	4,700	178	4,580	4,758
	<u>\$ 116,728</u>	<u>\$ 10,148</u>	<u>\$ 126,876</u>	<u>\$ 109,162</u>	<u>\$ 9,558</u>	<u>\$ 118,720</u>

11) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Operating lease revenue				
Rental revenue contractually due from tenants ⁽¹⁾	\$ 91,165	\$ 89,848	\$ 183,077	\$ 178,365
Contingent rental revenue	474	414	926	870
Straight-line rent recognition	2,504	3,389	5,390	6,783
Tenant incentive amortization	(2,468)	(2,960)	(6,090)	(6,502)
Lease termination income	5	12	180	249
Revenue from Contracts with Customers				
Common area cost recoveries	11,560	9,955	24,542	22,096
Parking revenue	903	933	1,823	1,861
	<u>\$ 104,143</u>	<u>\$ 101,591</u>	<u>\$ 209,848</u>	<u>\$ 203,722</u>

⁽¹⁾ Includes reimbursement of Crombie's property tax expense.

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,			
	2018		2017		2018		2017	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 58,218	55.9%	\$ 56,218	55.3%	\$ 107,627	51.3%	\$ 103,946	51.0%

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, 2018, is as follows:

	Remaining	Year Ending December 31,						
	2018	2019	2020	2021	2022	Thereafter	Total	
Future minimum rental income	\$ 142,985	\$ 275,669	\$ 265,613	\$ 253,356	\$ 241,485	\$ 2,063,689	\$ 3,242,797	

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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 seven to 72 years including renewal options:

	Remaining	Year Ending December 31,					Thereafter	Total
	2018	2019	2020	2021	2022			
Future minimum lease payments	\$ 963	\$ 1,939	\$ 2,001	\$ 2,021	\$ 2,058	\$ 140,857	\$	149,839

13) CORPORATE EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Salaries and benefits	\$ 3,044	\$ 2,870	\$ 6,038	\$ 5,577
Professional and public company costs	883	1,379	1,659	2,804
Occupancy and other	699	911	1,420	1,775
	<u>\$ 4,626</u>	<u>\$ 5,160</u>	<u>\$ 9,117</u>	<u>\$ 10,156</u>

(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,	
	2018	2017	2018	2017
Wages and salaries	\$ 6,039	\$ 5,652	\$ 14,764	\$ 14,146
Post-employment benefits	206	185	438	391
	<u>\$ 6,245</u>	<u>\$ 5,837</u>	<u>\$ 15,202</u>	<u>\$ 14,537</u>

(c) Change in fair value of financial instruments

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Deferred Unit ("DU") Plan	\$ (50)	\$ (10)	\$ 245	\$ (47)
Marketable securities	—	11	—	149
Total change in fair value of financial instruments	<u>\$ (50)</u>	<u>\$ 1</u>	<u>\$ 245</u>	<u>\$ 102</u>

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14) FINANCE COSTS – OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Fixed rate mortgages	\$ 18,708	\$ 19,967	\$ 38,641	\$ 39,359
Floating rate term, revolving and demand facilities	1,547	552	2,282	1,677
Capitalized interest	(963)	(471)	(1,867)	(767)
Senior unsecured notes	6,021	4,437	11,901	8,310
Convertible debentures	1,068	2,407	2,133	4,273
Finance costs - operations, expense	26,381	26,892	53,090	52,852
Amortization of fair value debt adjustment and accretion income	205	379	434	786
Change in accrued finance costs	5,495	768	548	(335)
Amortization of effective swap agreements	(568)	(591)	(1,143)	(1,188)
Capitalized interest ⁽¹⁾	963	471	1,867	767
Amortization of issue premium on senior unsecured notes	96	96	191	135
Amortization of deferred financing charges	(1,093)	(1,521)	(2,209)	(2,468)
Finance costs - operations, paid	\$ 31,479	\$ 26,494	\$ 52,778	\$ 50,549

⁽¹⁾ For the three months ended June 30, 2018, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.59% (June 30, 2017 - 3.70%).

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, 2018	89,115,328	\$ 1,034,683	61,646,953	\$ 711,456	150,762,281	\$ 1,746,139
Net change in EUPP loans receivable	—	30	—	—	—	30
Units issued under DRIP	402,858	5,036	285,697	3,577	688,555	8,613
Units issued under unit based compensation plan	12,627	158	—	—	12,627	158
Balance, June 30, 2018	89,530,813	\$ 1,039,907	61,932,650	\$ 715,033	151,463,463	\$ 1,754,940

	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

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16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Items not affecting operating cash:				
Straight-line rent recognition	\$ (2,504)	\$ (3,389)	\$ (5,390)	\$ (6,783)
Amortization of tenant incentives	2,468	2,960	6,090	6,502
Gain on disposal of investment properties	(33,502)	—	(45,343)	—
Impairment of investment properties	8,000	—	8,000	—
Depreciation of investment properties	17,851	18,183	44,059	35,954
Amortization of intangible assets	1,689	1,518	3,316	3,369
Amortization of deferred leasing costs	169	125	356	299
Depreciation of fixtures and computer equipment	10	—	20	—
Unit based compensation	4	8	11	18
Amortization of effective swap agreements	568	591	1,143	1,188
Amortization of deferred financing charges	1,093	1,521	2,209	2,468
Amortization of issue premium on senior unsecured notes	(96)	(96)	(191)	(135)
Income from equity accounted investments	(39)	(27)	(74)	(27)
Non-cash distributions to Unitholders in the form of DRIP Units	3,629	8,012	8,613	16,272
Taxes - deferred	—	(76,400)	—	(75,400)
Income tax expense	—	4	—	4
Change in fair value of financial instruments	50	(1)	(245)	(102)
	\$ (610)	\$ (46,991)	\$ 22,574	\$ (16,373)

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash provided by (used in):				
Trade receivables	\$ (6,917)	\$ (8,112)	\$ (7,143)	\$ (5,167)
Prepaid expenses and deposits and other assets	(16,405)	(17,077)	(8,298)	(6,985)
Payables and other liabilities	359	8,559	2,972	10,912
	\$ (22,963)	\$ (16,630)	\$ (12,469)	\$ (1,240)

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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, January 1, 2018	\$ 1,762,815	\$ 10,288	\$ 53,168	\$ 1,431	\$ 625,000	\$ 1,323	\$ 2,003	\$ 74,400	\$ 1,236
Issue of mortgages	—	—	—	—	—	—	—	—	—
Repayment of mortgages	(91,717)	—	—	—	—	—	—	—	—
Issue of floating credit facilities	—	—	79,254	—	—	—	—	—	—
Additions to deferred financing costs	—	220	—	11	—	—	118	—	—
Total financing cash flow activities	1,671,098	10,508	132,422	1,442	625,000	1,323	2,121	74,400	1,236
Assumed by joint operation partner	(38,971)	—	—	—	—	—	—	—	—
Amortization of issue premium	—	—	—	—	—	(191)	—	—	—
Amortization of deferred financing charges	—	(1,332)	—	(285)	—	—	(401)	—	(190)
Write-off deferred financing charges	—	(284)	—	—	—	—	—	—	—
Amortization of fair value debt adjustment	(268)	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	(152)	—	—	—	—	—	—	—	—
Total financing non-cash activities	(39,391)	(1,616)	—	(285)	—	(191)	(401)	—	(190)
Balance, June 30, 2018	\$ 1,631,707	\$ 8,892	\$ 132,422	\$ 1,157	\$ 625,000	\$ 1,132	\$ 1,720	\$ 74,400	\$ 1,046

	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, January 1, 2017	\$ 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	(64,546)	—	—	—	—	—	—	—	—
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	1,784,054	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)
Amortization of fair value debt adjustment	(589)	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	(171)	—	—	—	—	—	—	—	—
Total financing non-cash activities	(760)	(1,077)	—	(243)	—	(135)	(308)	—	(840)
Balance, June 30, 2017	\$ 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, 2018, 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,	
	2018	2017	2018	2017
Property revenue				
Property revenue	\$ 59,425	\$ 57,665	\$ 109,989	\$ 106,530
Head lease income	\$ 161	\$ 188	\$ 340	\$ 362
Lease termination income	\$ —	\$ 12	\$ —	\$ 41
Property operating expenses	\$ (19)	\$ (7)	\$ (24)	\$ (13)
General and administrative expenses				
Property management services recovered	\$ 126	\$ 169	\$ 283	\$ 319
Other general and administrative expenses	\$ (35)	\$ (72)	\$ (93)	\$ (137)
Finance costs - operations				
Interest on convertible debentures	\$ —	\$ (299)	\$ —	\$ (595)
Interest rate subsidy	\$ 76	\$ 80	\$ 152	\$ 179
Finance costs - distributions to Unitholders	\$ (13,977)	\$ (13,795)	\$ (27,921)	\$ (27,535)

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 effective January 1, 2016. Revenue generated from the Management Agreement is being recognized as a reduction of General and administrative expenses. This Agreement replaces the previous cost sharing arrangement covered by a Management Cost Sharing Agreement.

In addition to the above:

During the six months ended June 30, 2018, Crombie issued 285,697 (June 30, 2017 - 500,680) Class B LP Units to ECLD under the DRIP (Note 15).

On April 6, 2018, Crombie acquired nine retail properties and two additions to existing retail properties from Sobeys. The properties, totalling 421,000 square feet, were acquired for \$88,110, excluding closing and transaction costs.

On June 29, 2018 Crombie acquired one retail property from Sobeys. The property, totalling 37,000 square feet, was acquired for \$12,500, excluding closing and transaction costs.

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.

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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, 2018:

Financial assets	Level	June 30, 2018	December 31, 2017
Marketable securities	1	\$ —	\$ 1,285
Total financial assets measured at fair value		\$ —	\$ 1,285

There were no transfers between levels of the fair value hierarchy during the period ended June 30, 2018. During the three months ended March 31, 2018, Crombie sold the marketable securities.

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, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables ⁽¹⁾	\$ 6,724	\$ 6,716	\$ 6,642	\$ 6,628
Total other financial assets	\$ 6,724	\$ 6,716	\$ 6,642	\$ 6,628
Financial liabilities				
Investment property debt	\$ 1,804,384	\$ 1,764,129	\$ 1,846,029	\$ 1,815,983
Senior unsecured notes	626,270	625,000	627,120	625,000
Convertible debentures	76,632	74,400	76,818	74,400
Total other financial liabilities	\$ 2,507,286	\$ 2,463,529	\$ 2,549,967	\$ 2,515,383

⁽¹⁾ Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related party and 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 any 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, 2018. 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.

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

- Crombie's largest tenant, Sobeys, represents 55.1% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 4.9% 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, 2018, Sobeys represents 55.9% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.8% of Crombie's total property revenue.
- Over the next five years, no more than 4.9% 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, 2017.

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 and unsecured bilateral credit facility	Decrease in rate		Increase in rate
Three months ended June 30, 2018	\$	177	\$ (177)
Three months ended June 30, 2017	\$	21	\$ (21)
Six months ended June 30, 2018	\$	223	\$ (223)
Six months ended June 30, 2017	\$	128	\$ (128)

There have been no significant changes to Crombie's interest rate risk since December 31, 2017.

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⁾	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,932,729	\$ 136,981	\$ 392,855	\$ 156,782	\$ 285,195	\$ 277,776	\$ 683,140
Senior unsecured notes	679,907	193,827	140,152	187,455	6,099	152,374	—
Convertible debentures	85,142	3,906	3,906	77,330	—	—	—
	2,697,778	334,714	536,913	421,567	291,294	430,150	683,140
Floating rate credit facilities	139,131	104,199	1,255	33,677	—	—	—
Total	\$ 2,836,909	\$ 438,913	\$ 538,168	\$ 455,244	\$ 291,294	\$ 430,150	\$ 683,140

⁽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, 2017.

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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, 2018	December 31, 2017
Fixed rate mortgages	\$ 1,621,658	\$ 1,751,096
Credit facilities	132,422	53,168
Senior unsecured notes	624,412	624,320
Convertible debentures	73,354	73,164
Crombie REIT Unitholders	884,048	873,478
SVU and Class B LP Unitholders	591,509	583,777
	<u>\$ 3,927,403</u>	<u>\$ 3,959,003</u>

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, 2018	December 31, 2017
Fixed rate mortgages	\$ 1,631,707	\$ 1,762,815
Senior unsecured notes	625,000	625,000
Convertible debentures	74,400	74,400
Revolving credit facility	32,422	8,168
Bilateral credit facility	100,000	45,000
Total debt outstanding	2,463,529	2,515,383
Less: Applicable fair value debt adjustment	(965)	(1,117)
Debt	<u>\$ 2,462,564</u>	<u>\$ 2,514,266</u>
Income properties, cost	\$ 4,252,115	\$ 4,280,433
Properties under development, cost	86,572	75,699
Below-market lease component, cost ⁽¹⁾	66,553	86,885
Investment in joint ventures	2,715	2,602
Other assets, cost (see below)	346,239	325,193
Deferred financing charges	12,815	14,958
Interest rate subsidy	(965)	(1,117)
Fair value adjustment to deferred taxes	—	—
Gross book value	<u>\$ 4,766,044</u>	<u>\$ 4,784,653</u>
Debt to gross book value - cost basis	<u>51.7%</u>	<u>52.5%</u>

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

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2018

Other assets are calculated as follows:

	June 30, 2018	December 31, 2017
Other assets per Note 5	\$ 277,008	\$ 257,291
Add:		
Tenant incentive accumulated amortization	69,231	67,902
Other assets, cost	\$ 346,239	\$ 325,193

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, 2018, 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 in excess of existing accruals 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, 2018, Crombie has a total of \$8,719 in outstanding letters of credit related to:

	June 30, 2018	December 31, 2017
Construction work being performed on investment properties	\$ 3,879	\$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	4,840
Total outstanding letters of credit	\$ 8,719	\$ 8,719

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 seven to 72 years including renewal options. For the three and six months ended June 30, 2018 Crombie paid \$464 and \$933 respectively in land lease payments to third party landlords (three and six months ended June 30, 2017 - \$476 and \$778 respectively). Crombie's commitments under the land leases are disclosed in Note 12.

As at June 30, 2018, Crombie had signed construction contracts totalling \$180,069 of which \$101,151 has been paid.

21) SUBSEQUENT EVENTS

- (a) On July 20, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2018 to and including, July 31, 2018. The distributions will be paid on August 15, 2018, to Unitholders of record as of July 31, 2018.
- (b) On July 31, 2018, Crombie announced that effective August 31, 2018, it has exercised its right to redeem its 5.25% Series E Extendible Convertible Unsecured Subordinated Debentures maturing on March 31, 2021 (the "Debentures") in accordance with the terms of the

supplemental trust indenture dated August 14, 2013. Upon redemption, Crombie will pay to the holders of Debentures the redemption price equal to the outstanding principal amount of the Debentures to be redeemed, together with all accrued and unpaid interest thereon, for a total of \$1,022.01 per \$1,000 principal amount of Debentures, less any taxes required to be deducted or withheld.

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

Frank C. Sobey
Trustee and Chairman

John Eby
Independent Trustee and Lead Trustee

Donald E. Clow
Trustee, President and Chief Executive Officer

James M. Dickson
Independent Trustee

Debra Hess
Independent Trustee

Brian A. Johnson
Independent Trustee

J. Michael Knowlton
Independent Trustee

Barbara Palk
Independent Trustee

Jason P. Shannon
Independent Trustee

Kent R. Sobey
Independent Trustee

Paul D. Sobey
Trustee

Elisabeth Strobach
Independent Trustee

OFFICERS

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

Glenn R. Hynes
Executive Vice President, Chief Financial Officer and Secretary

Cheryl Fraser
Chief Talent Officer and Vice President Communications

Scott R. MacLean
Senior Vice President Eastern Canada

Trevor Lee
Senior Vice President Western Canada

John Barnoski
Senior Vice President Corporate Development

Fred Santini
General Counsel

CROMBIE REIT

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UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

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).

TRANSFER AGENT

AST Trust Company (Canada)
Investor Correspondence
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Montreal, Quebec, H3B 3K3
Telephone: (800) 387-0825
Email: inquiries@astfinancial.com
Website: www.astfinancial.com/ca

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact AST Trust Company (Canada) at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

WHY CROMBIE?

- High-quality, everyday-needs anchored portfolio with strong, stable net operating income and cash flow growth
- Materially accretive development pipeline opportunities
- Experienced management team with strong expertise in real estate portfolio management, development and ownership
- Strong capital structure with moderate leverage and ample liquidity
- Total return on investment superior to S&P/TSX Capped REIT Index and S&P/TSX Composite Index since March 2006 IPO