Crombie REIT

**FOURTH QUARTER REPORT**
**Three Months and Year Ended December 31, 2018**

# BUILDING A BETTER REIT

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2018

**Dear Fellow Unitholders:**

I am very pleased to report that Crombie had a solid year as our fundamentals were very strong - in fact, our team's consistent achievement in operations and leasing resulted in year-end occupancy level of 96%. Our active development pipeline remains on track. We have improved portfolio quality by recycling capital out of lower growth and/or non-core assets and into our mixed use development pipeline. Our largest tenant, Sobeys, is successfully adapting and growing their business. Despite the narrative that surrounds retail regarding e-commerce risk, it is becoming common knowledge that everyday-needs retailers are less susceptible to this risk.

**Results and Fundamentals**

For the year ended December 31, 2018, operating income before taxes increased 24.6% to $107.4 million, funds from operations (FFO)* per unit diluted increased 0.8% to $1.21, while adjusted funds from operations (AFFO)* per unit diluted increased 2.8% to $1.03. Operating income before taxes growth was driven by net operating income growth and gains on disposal of investment properties offset in part by impairments and accelerated depreciation. FFO and AFFO growth were driven by same-asset cash net operating income growth, increased revenue from $119.2 million in new acquisitions, improved occupancy rates and efficient financing costs.

Our core portfolio and underlying business fundamentals remain robust as is evident by our 2018 same-asset cash NOI growth of 2.7% and occupancy of 96.0%, the highest year-end occupancy in our history. Our team's approach to entrepreneurial leasing attracted new tenants and successful redevelopments in all markets.

**Development**

Crombie is acutely focused on driving NAV creation through our development program, one of the best uses of our capital. We have curated a 23-property development pipeline, representing $3.0 to $4.5 billion in potential mixed use development over the next 10 to15 years. With 24 acres in Vancouver and 13 acres in Toronto (46 in VECTOM) of underutilized land, there is significant value embedded in our portfolio. Davie Street has emerged from the ground and is growing taller as concrete is poured, and Phase I of Belmont Market is now officially producing cash flow, an important milestone for Crombie. Our other active developments, Bronte Village in Oakville, Le Duke in Montreal, and Avalon Mall in St. John's are further examples of how, once complete, these assets will contribute to diversifying our portfolio and income stream, increase our urban exposure and improve our overall portfolio quality.

**Funding**

During 2018, we sold over $220 million worth of lower growth/non-core assets,in aggregate above IFRS fair values, allocating this capital to our capital plan. This shift in our funding strategy has allowed us to redirect capital to higher value returning developments. We were more innovative this year in the types of transactions we completed by selling full or partial interests in properties. These transactions highlight our desirability as a partner and the attractiveness of our portfolio.

We improved our capital stack and in August we issued $75 million of unsecured bonds to early redeem the last of our convertible debentures. We replaced the maturing $175 million series A notes by issuing our first-ever unsecured bond greater than five years ($175 million), fitting nicely into our debt ladder. Although our debt to gross book value (fair value) increased slightly this quarter to 51.0%, this is a managed approach, with our long-term goal remaining to reduce leverage over time. Our balance sheet remains flexible, with increasing access to the unsecured bond market and the mortgage and bank markets.

**Leadership Renewal**

Our renewed senior leadership structure announced in late 2018 enhances the alignment of our talent with Crombie's strategic priorities, creating national leadership roles to optimize focus, efficiency and results. The transition to a national leadership structure realigns responsibilities and enables continued delivery of strong operating performance and successful execution of Crombie's significant mixed use development program. With added analytical capacity, advanced systems, and stronger capital allocation skills, tools and talent, I am very confident, and excited about Crombie's future.

**Sobeys**

The grocery industry continues to experience minimal effect from e-commerce and with Sobeys as our largest tenant, Crombie can achieve long term sustainable growth with locked-in cash flow that will stand the test of time. We have the ability to execute expansions, modernizations, and conversions to other formats, while unlocking major developments and land-use intensification projects. They are an important piece of our strategy and with Sobeys we can continue to unlock and create significant value for our unitholders.

**Closing**

Our team values relationships and is committed to the long-term sustainable growth of Crombie and our stakeholders. In 2018, these men and women successfully operated and leased our properties, innovatively secured capital, consistently managed our development projects, and ensured that we maintained a solid business in a challenging time. I have full confidence in our collective ability to continue unlocking value at Crombie for years to come.

Sincerely,

Don Clow

President and Chief Executive Officer

*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. Please see the section entitled “FFO and AFFO” starting on page 28 of the attached Management’s Discussion and Analysis of financial results for a discussion of these measures and how we calculate them.

## 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 year and quarter ended December 31, 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 audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 and December 31, 2017, 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 February 27, 2019, 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 :

(i) the accretive acquisition of properties, including the cost and timing of new properties under right of first offer ("ROFO") agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(ii) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, the timing of property development activities or other accretive uses for net proceeds and real estate market conditions;

(iii) 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;

(iv) statements in the letter to Unitholders and 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, future capitalization rates, 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;

(v) 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;

(vi) generating improved rental income and occupancy levels, including anticipated replacement of expiring tenancies, 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;

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

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

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

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

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

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, debt to EBITDA, 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.

**HIGHLIGHTS**

**FINANCIAL RESULTS**

Crombie's key financial metrics for the three months and year ended December 31, 2018 are as follows:

| (In thousands of CAD dollars, except per unit amounts and as otherwise noted) | Three months ended December 31, 2018 | 2017 | Change | Change (%) |
|---|---|---|---|---|
| Property revenue | $ 104,296 | $ 105,667 | $ (1,371) | (1.3)% |
| Property operating expenses | 30,817 | 31,622 | 805 | 2.5 % |
| Property NOI | $ 73,479 | $ 74,045 | $ (566) | (0.8)% |
| NOI margin percentage | 70.5% | 70.1% | 0.4 % | — |
| Increase (decrease) in net assets attributable to Unitholders | $ (13,416) | $ (6,445) | $ (6,971) | (108.2)% |
| Same-asset property cash NOI | $ 63,102 | $ 61,058 | $ 2,044 | 3.3 % |
| FFO | | | | |
| Basic | $ 46,490 | $ 47,237 | $ (747) | (1.6)% |
| Diluted | $ 46,490 | $ 48,222 | $ (1,732) | (3.6)% |
| Per unit - Basic | $ 0.31 | $ 0.31 | $ — | (2.2)% |
| Per unit - Diluted | $ 0.31 | $ 0.31 | $ — | (1.5)% |
| Payout ratio (%) | 72.5% | 70.9% | (1.6)% | — |
| AFFO | | | | |
| Basic | $ 39,771 | $ 39,481 | $ 290 | 0.7 % |
| Diluted | $ 39,771 | $ 40,466 | $ (695) | (1.7)% |
| Per unit - Basic | $ 0.26 | $ 0.26 | $ — | 0.1 % |
| Per unit - Diluted | $ 0.26 | $ 0.26 | $ — | 0.4 % |
| Payout ratio (%) | 84.8% | 84.9% | 0.1 % | — |

| (In thousands of CAD dollars, except per unit amounts and as otherwise noted) | Year ended December 31, 2018 | 2017 | Change | Change (%) |
|---|---|---|---|---|
| Property revenue | $ 414,649 | $ 411,813 | $ 2,836 | 0.7 % |
| Property operating expenses | 121,306 | 121,069 | (237) | (0.2)% |
| Property NOI | $ 293,343 | $ 290,744 | $ 2,599 | 0.9 % |
| NOI margin percentage | 70.7% | 70.6% | 0.1% | — |
| Increase (decrease) in net assets attributable to Unitholders | $ (26,920) | $ 30,582 | $ (57,502) | (188.0)% |
| Same-asset property cash NOI | $ 248,599 | $ 242,151 | $ 6,448 | 2.7 % |
| FFO | | | | |
| Basic | $ 184,034 | $ 181,152 | $ 2,882 | 1.6 % |
| Diluted | $ 186,644 | $ 186,582 | $ 62 | — % |
| Per unit - Basic | $ 1.22 | $ 1.21 | $ 0.01 | 0.4 % |
| Per unit - Diluted | $ 1.21 | $ 1.20 | $ 0.01 | 0.8 % |
| Payout ratio (%) | 73.2% | 73.6% | 0.4% | — |
| AFFO | | | | |
| Basic | $ 155,794 | $ 149,858 | $ 5,936 | 4.0 % |
| Diluted | $ 158,404 | $ 153,764 | $ 4,640 | 3.0 % |
| Per unit - Basic | $ 1.03 | $ 1.00 | $ 0.03 | 2.8 % |
| Per unit - Diluted | $ 1.03 | $ 1.00 | $ 0.03 | 2.8 % |
| Payout ratio (%) | 86.5% | 88.9% | 2.4% | — |

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

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Basic number of Units for all measures | 151,419,487 | 150,401,349 | 151,213,896 | 149,507,560 |
| Diluted for operating income attributable to Unitholders purposes | 151,550,904 | 150,532,766 | 151,345,313 | 155,492,191 |
| Diluted for FFO purposes | 151,550,904 | 154,870,958 | 154,233,479 | 155,492,191 |
| Diluted for AFFO purposes | 151,550,904 | 154,870,958 | 154,233,479 | 153,979,208 |

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.

**OPERATING RESULTS**

| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
|---|---|---|---|---|---|
| Number of income-producing properties | 288 | 289 | 290 | 284 | 286 |
| Gross leaseable area | 18,896,000 | 18,759,000 | 18,778,000 | 18,858,000 | 19,201,000 |
| Committed occupancy | 96.0% | 96.2% | 96.1% | 95.7% | 95.2% |
| Economic occupancy | 95.3% | 95.5% | 95.2% | 94.9% | 94.8% |

| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
|---|---|---|---|---|---|
| Investment properties, fair value | $ 4,776,000 | $ 4,786,000 | $ 4,862,000 | $ 4,943,000 | $ 4,944,000 |
| Unencumbered investment properties [1] | $ 998,523 | $ 1,032,113 | $ 1,092,650 | $ 1,008,057 | $ 953,776 |
| Available liquidity [2] | $ 312,459 | $ 337,154 | $ 358,859 | $ 430,120 | $ 438,113 |
| Debt to gross book value - fair value [4] | 51.0% | 50.5% | 49.9% | 49.6% | 50.3% |
| Weighted average interest rate [3] | 4.20% | 4.14% | 4.18% | 4.20% | 4.21% |
| Debt to trailing 12 months EBITDA [4] | 8.67x | 8.57x | 8.50x | 8.63x | 8.84x |
| Interest coverage ratio [4] | 2.93x | 2.97x | 2.92x | 2.88x | 2.92x |

[1] Represents fair value of unencumbered properties.
[2] Represents the undrawn portion on the credit facilities plus available cash.
[3] Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.
[4] See coverage ratios section.

Available liquidity is the net amount available on Crombie's credit facilities, calculated as follows:

| | As at | | | | |
|---|---|---|---|---|---|
| | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 | December 31, 2017 |
| Revolving credit facility | $ 400,000 | $ 400,000 | $ 400,000 | $ 400,000 | $ 400,000 |
| Amount drawn | (108,843) | (54,148) | (32,422) | (11,161) | (8,168) |
| Outstanding letters of credit | (8,698) | (8,698) | (8,719) | (8,719) | (8,719) |
| Available liquidity | 282,459 | 337,154 | 358,859 | 380,120 | 383,113 |
| | | | | | |
| Unsecured bilateral credit facility | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Amount drawn | (70,000) | (100,000) | (100,000) | (50,000) | (45,000) |
| Available liquidity | 30,000 | — | — | 50,000 | 55,000 |
| | | | | | |
| Cash | — | — | — | — | — |
| Total available liquidity | $ 312,459 | $ 337,154 | $ 358,859 | $ 430,120 | $ 438,113 |

**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 and development of grocery and drug store-anchored retail properties in Canada's top markets. At December 31, 2018, Crombie owned a portfolio of 288 income-producing properties in 10 provinces, comprising approximately 18.9 million square feet of gross leaseable area (“GLA”). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% economic and voting interest in Crombie at December 31, 2018.

**Business Objectives and Outlook**

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;

2. Enhance the value of Crombie`s assets and maximize long-term unitholder value through active asset management and development; and

3. Expand the asset base of Crombie and increase its cash available for distribution through accretive growth.

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

**Enhance value of Crombie's assets:** Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value. Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio. Crombie undertakes development of specific properties when it is determined that this provides the best return for Crombie and its unitholders.

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

Crombie continues to work closely with Sobeys to identify opportunities that further Crombie's growth strategy. Crombie has a ROFO agreement with Sobeys to acquire both existing income-producing commercial properties from Sobeys as well as properties from their development pipeline, subject to certain exceptions. Crombie also works closely with Sobeys to unlock potential acquisition opportunities at properties owned by third parties where Sobeys has a long-term leasehold interest. Through this relationship, Crombie expects to have accretive acquisition opportunities as well as future development opportunities.

The agreements provide Crombie with a preferential right to acquire retail properties from Sobeys, subject to approval by Crombie’s elected trustees. This relationship between Crombie and Sobeys continues to provide promising opportunities for growth of Crombie’s portfolio through future developments on both new and existing sites.

The following table outlines the income property transactions completed since the initial public offering (“IPO”).

(In thousands of CAD dollars)

| Transaction date | Number of properties | GLA (sq. ft.) | Acquisition cost (disposition proceeds) [1] |
|---|---|---|---|
| **Transactions with Empire and subsidiaries** | | | |
| 2006 through 2016 | 201 | 11,104,500 | $ 2,384,280 |
| 2017 acquisitions [2] | 1 | 81,000 | $ 15,991 |
| 2018 acquisitions [2] | 10 | 468,000 | $ 104,345 |
| **Transactions with third parties** | | | |
| 2006 through 2016 | 50 | 1,767,000 | $ 710,141 |
| 2017 acquisitions | 6 | 300,000 | $ 131,509 |
| 2017 dispositions | (1) | (67,000) | $ (15,600) |
| 2018 acquisitions [2] | 1 | 45,000 | $ 14,900 |
| 2018 dispositions [3] [4] | (9) | (817,000) | $ (259,813) |

[1] Excluding closing and transaction costs
[2] Includes additions to existing retail properties
[3] Includes disposition of 50% interest in a portfolio of properties
[4] Includes disposition of property to joint venture

The table highlights the growth opportunities provided through the Empire/Sobeys relationship as well as the growth and recycling opportunities realized through Crombie's expanding base of third party vendors.

Through its relationship with Sobeys, Crombie is provided a preferential right to acquire retail properties developed and/or owned by Sobeys and/or to invest in modernizations or other upgrades to Sobeys occupied properties.

**Business Environment**

Significant factors impacting the Canadian economy and its future prospects continue to be the price of oil, interest rates and risk of slowing global economic demand. While oil has found stability and slight price recovery aided by supply management of OPEC countries, it remains well below previous levels. By way of offset, the Canadian economy has been helped by the lowering of the Canadian dollar relative to our largest trading partner, the United States; a trend that recently has somewhat reversed. A weaker currency is a potential catalyst for Canada’s export sectors. Interest rates in Canada and globally remain low but in 2018 signs of rate increases existed as yields temporarily trended upwards only to again moderate as concerns over economic slowdown, recession, global trade, debt levels, etc negatively impacted market sentiment.

Within Canada, the key factors of lower oil prices, pipeline issues and soft Canadian dollar are having mixed results on provincial economies with negative impacts in specific areas such as Alberta and Newfoundland with loss of employment, higher office vacancy and reduced consumer spending and capital investment. Positive impacts from the lower oil price and interest rates are being felt on economies with a heavier reliance on manufacturing and exports such as Ontario.

Capitalization rates in urban markets have continued at record low levels as interest rates remain low and large investors such as REITs and pension funds seek long-term sustainable returns. The bifurcation noted in 2015 continues, with strong assets in urban markets maintaining their historically low cap rates and strong buyer interest while weaker properties in rural and secondary markets continuing to see slight increases in cap rates and sporadic acquisition interest. With low cap rates and interest rates, REITs are continuing to turn inward for accretive growth with a focus on intensifications of existing properties and complete redevelopments to repurpose prime urban properties to take advantage of highest and best use potential.

**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] | Moncton, 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 |
| | | | | | | | 458,000 | 100,610 |
| 2018 Third quarter | | | | | | | | |
| September 28 , 2018 | Hemlock Square [1] | Halifax, NS | Empire | Income-producing | — | 100% | 10,000 | 3,735 |
| 2018 Fourth quarter | | | | | | | | |
| December 5, 2018 | Sorel | Sorel, QC | Third Party | Income-producing | 1 | 100% | 40,000 | 9,300 |
| December 13, 2018 | Elbow Drive[2] | Calgary, AB | Third Party | Income-producing | — | 100% | 5,000 | 5,600 |
| | | | | | | | 45,000 | 14,900 |
| Total acquisitions for year ended December 31, 2018 | | | | | 11 | | 513,000 | $119,245 |
| 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 (PUD) | — | 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[1] | Stittsville, ON | Empire | Income-producing | — | 100% | 31,000 | 7,671 |
| Total acquisitions for the year ended December 31, 2017 | | | | | 7 | | 381,000 | $147,500 |

[1] Relates to an acquisition of additional development on a pre-existing retail property

[2] Acquisition of an add-on parcel to an existing property

**Dispositions**

| 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[1] | | | | | | |
| 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 | | — | | 203,000 | 77,929 |
| June 18, 2018 | Park Lane | Halifax, NS | 1 | 100% | 273,000 | 51,250 |
| | | | | | 541,000 | 152,179 |
| 2018 Fourth Quarter | | | | | | |
| December 18, 2018 | Southdale | London, ON | 1 | 100% | 17,000 | 5,400 |
| December 18, 2018 | Eglinton Ave | Toronto, ON | 1 | 100% | 17,000 | 15,500 |
| December 18, 2018 | Montrose Road | Niagara Falls, ON | 1 | 100% | 17,000 | 5,700 |
| | | | | | 51,000 | 26,600 |
| | | | | | 787,000 | 220,131 |
| 2018 Third Quarter | | | | | | |
| August 16, 2018 | Bronte Village[2] | Oakville, ON | 1 | 100% | 30,000 | 39,682 |
| Total dispositions for the year ended December 31, 2018 | | | 9 | | 817,000 | $ 259,813 |

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

[2] Represents disposition of property to a joint venture in which Crombie holds an interest.

| | | | | | | |
|---|---|---|---|---|---|---|
| 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 |

**Overview of the Property Portfolio**

At December 31, 2018, Crombie's property portfolio consisted of 288 income-producing properties that contain approximately 18.9 million square feet of GLA in all 10 provinces.

As at December 31, 2018, the portfolio distribution of the GLA by province was as follows:

| | GLA (sq. ft.) | | | | | | |
|---|---|---|---|---|---|---|---|
| Province | January 1, 2018 | Acquisitions (Dispositions) | Other | December 31, 2018 | Number of Income-Producing Properties | % of GLA | % of Annual Minimum Rent |
| AB | 3,424,000 | (5,000) | 9,000 | 3,428,000 | 59 | 18.1% | 20.9% |
| BC | 1,779,000 | (24,000) | 74,000 | 1,829,000 | 42 | 9.7% | 11.9% |
| MB | 644,000 | — | — | 644,000 | 15 | 3.4% | 4.2% |
| NB | 1,493,000 | 21,000 | 56,000 | 1,570,000 | 20 | 8.3% | 6.2% |
| NL | 1,329,000 | — | (126,000) | 1,203,000 | 13 | 6.3% | 9.2% |
| NS | 5,269,000 | (263,000) | — | 5,006,000 | 41 | 26.5% | 20.3% |
| ON | 2,836,000 | (335,000) | (14,000) | 2,487,000 | 45 | 13.2% | 14.1% |
| PE | 124,000 | — | — | 124,000 | 2 | 0.7% | 0.7% |
| QC | 1,849,000 | 302,000 | — | 2,151,000 | 43 | 11.4% | 10.1% |
| SK | 454,000 | — | — | 454,000 | 8 | 2.4% | 2.4% |
| Total | 19,201,000 | (304,000) | (1,000) | 18,896,000 | 288 | 100.0% | 100.0% |

During the twelve months ended December 31, 2018, Crombie had a net decrease of 304,000 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 and a 5,000 square foot addition to an existing property;
- 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 - acquisition of a 10,000 square foot addition to an existing property, offset by the 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 seven retail properties totalling 301,000 square feet, offset in part by the acquisition of one retail property totalling 40,000 square feet; and,
- Quebec - acquisition of six retail properties totalling 269,000 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 December 31, 2018, our allocation of Annual Minimum Rent consists of: Atlantic Canada 36.4%; Central Canada 24.2%; and Western Canada 39.4%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

**Property Categorization**

As at December 31, 2018:

| | Crombie Owned Properties | | | | |
|---|---|---|---|---|---|
| | Income-Producing Properties | Properties Under Development ("PUD") | Sub-total | Additional Properties in Joint Ventures ("JV") | Total |
| Same-asset | 258 | — | 258 | — | 258 |
| Non Same-Asset | | | | | |
| Acquisitions - 2018 | 11 | — | 11 | | 11 |
| Acquisitions - 2017 | 7 | — | 7 | | 7 |
| Other [1] | 9 | 3 | 12 | 1 | 13 |
| Active Major Development [2] | 3 | — | 3 | 2 | 5 |
| Total Non Same-asset | 30 | 3 | 33 | 3 | 36 |
| **Total** | 288 | 3 | 291 | 3 | 294 |

[1] Other includes income-producing properties that have been designated for repositioning, land parcels included in PUD, or non-active major developments within a JV.
[2] Active Major Development includes:
Davie Street Retail
Avalon Mall Retail
Belmont Market Retail and Office
JV - Davie Street Residential (not currently counted as a separate property)
- Le Duke
- Bronte Village

Davie Street is being developed as both a commercial (Crombie owned) and residential (JV owned) development. Currently, there is one title and, as such, this is counted as one property above within Crombie owned Active Major Development. Upon reaching a specific milestone in the development, this will be treated as two properties, one Crombie owned and a separate property within the JV.

During the fourth quarter:

- Belmont was transferred to Income-Producing Properties, resulting in a decrease in PUD Active Major Development properties and a corresponding increase in Active Major Development in Income-Producing Properties.

**Portfolio Occupancy and Lease Activity**

The portfolio occupancy and committed activity for the twelve months ended December 31, 2018 were as follows:

| | Occupied space (sq. ft.) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Province | January 1, 2018 | Acquisitions (Dispositions) | New Leases[1] | Lease Expiries | Other Changes[2] | December 31, 2018 | Economic Occupancy % | Committed Space (sq. ft.)[3] | Total Leased Space (sq. ft.) | Leased December 31, 2018 |
| AB | 3,419,000 | (10,000) | 25,000 | (5,000) | (11,000) | 3,418,000 | 99.7% | — | 3,418,000 | 99.7% |
| BC | 1,775,000 | (24,000) | 55,000 | — | (1,000) | 1,805,000 | 98.7% | 17,000 | 1,822,000 | 99.6% |
| MB | 644,000 | — | — | — | (4,000) | 640,000 | 99.4% | — | 640,000 | 99.4% |
| NB | 1,266,000 | 21,000 | 110,000 | (10,000) | 14,000 | 1,401,000 | 89.2% | 29,000 | 1,430,000 | 91.1% |
| NL | 1,300,000 | — | 14,000 | (12,000) | (143,000) | 1,159,000 | 96.3% | 30,000 | 1,189,000 | 98.8% |
| NS | 4,748,000 | (247,000) | 125,000 | (53,000) | (41,000) | 4,532,000 | 90.5% | 26,000 | 4,558,000 | 91.1% |
| ON | 2,665,000 | (298,000) | 41,000 | (1,000) | (24,000) | 2,383,000 | 95.8% | 22,000 | 2,405,000 | 96.7% |
| PE | 124,000 | — | — | — | — | 124,000 | 100.0% | — | 124,000 | 100.0% |
| QC | 1,826,000 | 291,000 | 1,000 | (1,000) | — | 2,117,000 | 98.4% | — | 2,117,000 | 98.4% |
| SK | 426,000 | — | 21,000 | — | (9,000) | 438,000 | 96.5% | — | 438,000 | 96.5% |
| Total | 18,193,000 | (267,000) | 392,000 | (82,000) | (219,000) | 18,017,000 | 95.3% | 124,000 | 18,141,000 | 96.0% |

(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 124,000 square feet at December 31, 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 96.0% at December 31, 2018. During 2018, Crombie had a net decrease from dispositions and acquisitions of 267,000 square feet and had new leases outpace lease expiries by 310,000 square feet. A net decrease from other changes of 219,000 square feet is primarily due to leases terminated by the landlord primarily related to property redevelopments and tenant relocations.

New leases and expansions increased occupancy by 392,000 square feet at December 31, 2018 at an average first year rate of $17.28 per square foot. 365,000 square feet are new leases at an average rate of $17.08 per square foot while the remaining 27,000 square feet are expansions of existing tenants at an average rate of $19.83 per square foot. 124,000 square feet of space was committed at December 31, 2018 at an average first year rate of $16.88 per square foot.

For 2018, renewal activity was as follows:

| | Quarter | | | YTD | | |
|---|---|---|---|---|---|---|
| | Square Feet | Rate PSF | Growth% | Square Feet | Rate PSF | Growth % |
| 2018 Renewals | 116,000 | $ 10.74 | 6.1% | 621,000 | $ 16.78 | 2.9% |
| Future Year Renewals | 39,000 | 22.40 | 5.7% | 214,000 | 13.38 | 3.1% |
| Total | 155,000 | $ 13.69 | 6.0% | 835,000 | $ 15.91 | 3.0% |

Crombie's renewal activity for the year ended December 31, 2018 included renewals on 835,000 square feet with an increase of 3.0% over expiring rate. 2018 was impacted by renewals on certain office leases at lower rent. During the quarter, Crombie renewed 155,000 square feet with an increase of 6.0% over expiring rate, which was positively impacted by solid leasing results in all asset types.

**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 December 31, 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 | 283 | 17,896,000 | 94.7% | 96.2% | 96.5% |
| Office | 5 | 1,000,000 | 5.3% | 3.8% | 87.9% |
| Total | 288 | 18,896,000 | 100.0% | 100.0% | 96.0% |

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

As at December 31, 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 | 281 | 18,202,000 | 94.8% | 96.3% | 95.7% |
| Office | 5 | 999,000 | 5.2% | 3.7% | 87.1% |
| Total | 286 | 19,201,000 | 100.0% | 100.0% | 95.2% |

(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 96.2% of annual minimum rent at December 31, 2018 compared to 94.8% of GLA and 96.3% of annual minimum rent at December 31, 2017.

Leased space in retail and commercial mixed use properties of 96.5% at December 31, 2018, increased from 95.7% at December 31, 2017. Leased space in office properties of 87.9% increased from 87.1% at December 31, 2017.

**Lease Maturities**

The following table sets out, as of December 31, 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 |
|---|---|---|---|---|
| 2019 | 211 | 1,143,000 | 6.1% | $ 15.74 |
| 2020 | 166 | 647,000 | 3.4% | 19.43 |
| 2021 | 162 | 817,000 | 4.3% | 17.46 |
| 2022 | 176 | 793,000 | 4.2% | 19.37 |
| 2023 | 138 | 607,000 | 3.2% | 19.08 |
| Thereafter | 688 | 14,134,000 | 74.8% | 18.52 |
| Total | 1,541 | 18,141,000 | 96.0% | $ 18.39 |

**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 December 31, 2018.

| Tenant | % of Annual Minimum Rent | Average Remaining Lease Term | DBRS Credit Rating |
|---|---|---|---|
| Sobeys [1] | 55.5% | 13.7 years | BB (high) |
| Shoppers Drug Mart | 4.4% | 9.8 years | BBB |
| Dollarama | 1.2% | 5.9 years | BBB |
| Province of Nova Scotia | 1.1% | 0.8 years | A (high) |
| CIBC | 1.1% | 12.6 years | AA |
| Lawtons/Sobeys Pharmacy | 1.0% | 9.1 years | BB (high) |
| GoodLife Fitness | 1.0% | 9.1 years | |
| Bank of Montreal | 1.0% | 8.6 years | AA |
| Bank of Nova Scotia | 0.9% | 2.9 years | AA |
| Cineplex | 0.8% | 9.7 years | |
| Total | 68.0% | | |

(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 55.5% of annual minimum rent and Shoppers Drug Mart which accounts for 4.4% of annual minimum rent, no other tenant accounts for more than 1.2% of Crombie's annual minimum rent.

For the twelve months ended December 31, 2018, Sobeys also represents 50.6% 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 10.5 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 13.7 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 5.2% 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 we believe our strategic relationship can assist us with the transition from existing property / store operations to construction / development of each of these sites on mutually agreeable terms.

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 way to drive both NAV and AFFO growth. In certain cases, residential condominium uses will 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.

In the sections that follow (Active Major Developments and Potential Major Developments), Crombie has identified 23 Major Development projects as at December 31, 2018, (September 30, 2018 - 23) with a total projected cost to develop these properties of $3 to $4.5 billion (September 30, 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.

| | | | | Commercial | | Residential | |
|---|---|---|---|---|---|---|---|
| **Development** | **# of Projects** | **Total Projected Cost Range *(in billions of CAD $)*** | | **GLA on Completion** | **Incremental GLA** | **Incremental GLA** | **# of Units** |
| Active Major Development | 5 | $ | 0.5 - 0.5 | 452,000 | 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** | **1,629,000** | **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.

| | | | | | At Crombie's Share ($ in millions) | | | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Use** | **Commercial GLA on Completion** | **Residential GLA on Completion** | **Estimated Final Completion Date** | **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 | $ 28.4 | 6.3%-6.9% | $ 16.6 |
| Avalon Mall - Phase I | Retail | — | — | Q3 2019 | — | 54.5 | — | 20.6 |
| Avalon Mall - Phase II [3] | Retail | 165,000 | — | Q2 2020 | 5.8-7.5 | 57.8 | 10.0%-13.0% | 47.3 |
| **Subtotal IPP - Major Development** | | **218,000** | **—** | | **$ 7.6-9.5** | **$ 140.7** | **5.4%-6.7%** | **$ 84.5** |
| **Properties Under Development ("PUD")** | | | | | | | | |
| Belmont Market [4] | Retail, Office | 160,000 | — | Q4 2020 [5] | $ 5.1-5.8 | $ 93.0 | 5.5%-6.3% | $ 29.8 |
| **Subtotal PUD** | | **160,000** | **—** | | **$ 5.1-5.8** | **$ 93.0** | 5.5%-6.3% | **$ 29.8** |
| **Total Investment Properties** | | **378,000** | **—** | | **$ 12.7-15.3** | **$ 233.7** | **5.4%-6.5%** | **$ 114.3** |
| **Properties Held in Joint Ventures** | | | | | | | | |
| Davie Street[2] | Residential | — | 253,000 | Q2 2020 | $ 4.0-4.3 | $ 76.4 | 5.2%-5.7% | $ 45.7 |
| Le Duke[6] | Retail, Residential | 26,000 | 251,000 | Q3 2020 | 3.1-3.7 | 61.8 | 5.0%-6.0% | 48.9 |
| Bronte Village [6] | Retail, Residential | 48,000 | 472,000 | Q2 2021 | 6.9-8.3 | 138.6 | 5.0%-6.0% | 115.1 |
| **Total Properties Held in Joint Venture** | | **74,000** | **976,000** | | **$ 14.0-16.3** | **$ 276.8** | **5.1%-5.9%** | **$ 209.7** |
| **Total Active Major Developments** | | **452,000** | **976,000** | | **$ 26.7-31.6** | **$ 510.5** | **5.2%-6.2%** | **$ 324.0** |

[1] Estimated Total Cost and Estimated Yield on Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, pre-development 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 Vancouver based Westbank Corp. 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 of the redeveloped portion of the mall.
[4] Costs related to completed phases have been transfered out of Properties under Development and into Income-Producing Properties in Q4 2018. Full project costs are shown in chart above.
[5] Rents from certain leases in Phase I of Belmont Market development commenced in Q4 2018 and the remaining phases will be completed throughout 2019 and 2020 and will depend on pre-leasing activity.
[6] The development agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed 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 which is making an impact on the Vancouver skyline. The project is now above grade with the roof slab poured for the grocery store. 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 totalling approximately 253,000 square feet (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. The residential component is fully funded within the joint venture partnership with in-place mortgage financing and Crombie has in-place mortgage financing on the commercial 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 was completed in November 2018. The redesign and renovation of the common areas began in January 2018 and will continue in phases through 2019 and 2020. The redesign and realignment of the main mall vehicular access has been completed and is open.

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 including execution of a lease for a new and expanded Winners Homesense which will be relocating from another area of the mall. Advanced discussions with other potential national anchor and CRU tenants continue.

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. 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. Phase I of construction saw the completion of three retail buildings in Q4, 2018, with tenants scheduled to start opening in early 2019. The construction of the grocery store is underway with completion scheduled for early Spring 2019. Phase II of development is also underway which is comprised of four buildings totalling approximately 33,000 square feet, and includes the Thrifty's head office. 107,000 square feet of the overall development has committed leases or is in advanced stages of negotiation, and 94% of Phase I and 70% of Phase II is currently leased.

Crombie has an agreement to sell 5.55 acres of land to Ledcor Developments; over half of which closed in Q1 2018. Ledcor is planning the construction of 437 units of low rise residential rental and market condos on the site.

*Le Duke, 297 Rue Duke, Montreal, Quebec*

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development with partner Princedev Inc. 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. Excavation and shoring work for the below grade structure is currently nearing completion. This development is expected to be complete in Q3 2020.

The development agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed 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, Princedev Inc. This development includes the existing 30,000 square foot grocery store while adding 18,000 square feet of retail and two luxury residential towers totalling 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 2018. Site plan approval and building permits have been obtained for the commercial component and construction of the new retail space is now underway with a completion target of Spring 2019. Site plan approval for the residential component is with the City for final approval. Total project cost is estimated at $277.2 million, $138.6 million at Crombie's share. This development is expected to be completed in Q2 2021.

The development agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed 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 (September 30, 2018 - 540,000 square feet) of commercial GLA and up to 7,500,000 square feet (up to 9,000 units) (September 30, 2018 - 7,500,000 square feet and 9,000 units) of residential GLA (which may include a combination of rental or condominium units).

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 December 31, 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. | 5235 Kingsway (Royal Oak) | Burnaby, BC | 2.76 | Safeway | Yes | Yes | Pre-planning |
| 4. | Penhorn Lands | Dartmouth, NS | 26.12 | Land | Yes | Yes | Pre-planning |
| 5. | 10355 King George Boulevard | Surrey, BC | 5.07 | Safeway | Yes | Yes | Pre-planning |
| 6. | 2733 West Broadway | Vancouver, BC | 1.95 | Safeway | Yes | Yes | TBD[(1)] |
| 7. | 524 Elbow Drive SW (Mission) | Calgary, AB | 1.60 | Safeway | Yes | Yes | TBD |
| 8. | 3410 Kingsway | Vancouver, BC | 3.74 | Safeway/Other tenants | Yes | Yes | TBD |
| 9. | 990 West 25 Avenue (King Edward) | Vancouver, BC | 1.80 | Safeway | Yes | Yes | TBD |
| 10. | East Hastings | Burnaby, BC | 3.30 | Safeway/Other tenants | 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 | 4.48 | 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.

*5235 Kingsway (Royal Oak), Burnaby, British Columbia*

The Royal Oak site 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.

*10355 King George Boulevard, Surrey, British Columbia*

King George is located in Surrey, BC, in a prime location within Surrey City Centre and immediately adjacent the King George SkyTrain stop. The approximate 5 acre site is within the City of Surrey Official Community Plan and the Surrey City Centre Plan, which both designate the site for high-density development of floor to space ratio of up to 7.5 times. Rezoning of the site is required in order to proceed with any future redevelopment, and preliminary development analysis is currently underway.

*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 | | |
|---|---|---|---|
| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
| Total assets | $ 4,071,074 | $ 4,086,854 | $ 3,963,318 |
| Total investment property debt and unsecured debt | $ 2,479,143 | $ 2,501,748 | $ 2,396,199 |
| Debt to gross book value - fair value basis[(1)] | 51.0% | 50.3% | 50.3% |

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

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Property revenue | $104,296 | $105,667 | $ (1,371) | $414,649 | $411,813 | $ 2,836 |
| Property operating expenses | 30,817 | 31,622 | 805 | 121,306 | 121,069 | (237) |
| Property NOI | 73,479 | 74,045 | (566) | 293,343 | 290,744 | 2,599 |
| NOI margin percentage | 70.5% | 70.1% | 0.4% | 70.7% | 70.6% | 0.1% |
| Other items: | | | | | | |
| Gain on disposal of investment properties | 4,580 | 2,474 | 2,106 | 50,023 | 2,474 | 47,549 |
| Impairment of investment properties | (7,000) | — | (7,000) | (15,000) | — | (15,000) |
| Depreciation and amortization | (19,906) | (20,619) | 713 | (96,353) | (82,207) | (14,146) |
| General and administrative expenses | (5,184) | (4,246) | (938) | (19,226) | (19,077) | (149) |
| Finance costs – operations | (25,968) | (26,681) | 713 | (105,631) | (105,777) | 146 |
| Income from equity accounted investments | 111 | (7) | 118 | 254 | 61 | 193 |
| Operating income before taxes | 20,112 | 24,966 | (4,854) | 107,410 | 86,218 | 21,192 |
| Taxes – current | (1) | 2,082 | (2,083) | (3) | 2,078 | (2,081) |
| Taxes – deferred | — | — | — | — | 75,400 | (75,400) |
| Operating income attributable to Unitholders | 20,111 | 27,048 | (6,937) | 107,407 | 163,696 | (56,289) |
| Finance costs – distributions to Unitholders | (33,724) | (33,511) | (213) | (134,729) | (133,259) | (1,470) |
| Finance income (costs) – change in fair value of financial instruments | 197 | 18 | 179 | 402 | 145 | 257 |
| Increase (decrease) in net assets attributable to Unitholders | $ (13,416) | $ (6,445) | $ (6,971) | $ (26,920) | $ 30,582 | $ (57,502) |
| Operating income attributable to Unitholders per Unit, Basic | $ 0.13 | $ 0.18 | | $ 0.71 | $ 1.09 | |
| Operating income attributable to Unitholders per Unit, Diluted | $ 0.13 | $ 0.18 | | $ 0.71 | $ 1.09 | |
| Basic weighted average Units outstanding (in 000's) | 151,419 | 150,401 | | 151,214 | 149,508 | |
| Diluted weighted average Units outstanding (in 000's) | 151,551 | 150,533 | | 151,345 | 155,492 | |
| Distributions per Unit to Unitholders | $ 0.22 | $ 0.22 | | $ 0.89 | $ 0.89 | |

Operating Results

For the three months ended December 31, 2018, Operating income before taxes of $20,112 decreased by $4,854 or 19.4% compared to the three months ended December 31, 2017. The decrease was primarily due to:

- the recognition in the fourth quarter of 2018 of $7,000 of impairment related to an office property;
- increased general and administrative expenses of $938 primarily related to increased wage costs; and,
- a decrease in total Property NOI of $566 or 0.8% which is impacted by dispositions in the first three quarters of 2018 and the fourth quarter of 2017. This decrease in total Property NOI was reduced in part by same-asset NOI growth of $2,044 and NOI from acquisitions in the second quarter of 2018 and in the third quarter of 2017;

offset in part by:

- gain on disposal of $4,580 on three properties in the fourth quarter which was $2,106 higher than the gain of $2,474 on disposition of one property in the fourth quarter of 2017;

- a decrease in depreciation and amortization of $713 or 3.5% which is impacted by net disposition activity in 2018 and the fourth quarter of 2017; and,

- a decrease in finance costs - operations re lower interest and deferred financing charges of $713 or 2.7% related to the net disposition activity in 2018 as well as the early redemption of $74,400 5.25% Series E convertible debentures in the third quarter of 2018 refinanced with $75,000 of additional Series B Notes issued with an effective yield to maturity of 3.882%. During the fourth quarter of 2018, Crombie also issued $175,000 Series E Notes with an effective yield of 4.802% with the proceeds used to fund the repayment of the maturing $175,000 3.986% Series A Notes.

For the year ended December 31, 2018, Operating income before taxes of $107,410 increased by $21,192 or 24.6% compared to the year ended December 31, 2017. The year was impacted by:

- the disposition of a 50% interest in a portfolio of nine retail properties as well as the disposition of a mixed use property and eight additional retail properties and residential lands adjacent to an existing development property during 2018, resulting in a gain on disposal of $50,023 compared to a gain on disposal of $2,474 in 2017; and,

- an increase in Property NOI of $2,599 or 0.9% which is impacted by same-asset cash NOI growth of $6,448 and the previously mentioned acquisition and disposition activity.

offset in part by:

- the recognition of $15,000 of impairment, $8,000 in the second quarter of 2018 related to two retail properties and $7,000 in the fourth quarter of 2018 related to an office property; and,

- an increase in depreciation and amortization of $14,146, primarily related to accelerated depreciation on portions of three properties on partial demolition of former Target and Sears 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 year ended December 31, 2017. Professional fees of $1,059 associated with the tax reorganization were recognized as general and administrative expenses for the year ended December 31, 2017.

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

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | 2018 | 2017 |
| Operating income attributable to Unitholders | $ 20,111 | $ 27,048 | $ 107,407 | $ 163,696 |
| Finance costs – distributions to Unitholders | (33,724) | (33,511) | (134,729) | (133,259) |
| Finance income (costs) – change in fair value of financial instruments | 197 | 18 | 402 | 145 |
| Increase (decrease) in net assets attributable to Unitholders | $ (13,416) | $ (6,445) | $ (26,920) | $ 30,582 |

**Property NOI**

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

Property NOI on a cash basis is as follows:

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Property NOI | $ 73,479 | $ 74,045 | $ (566) | $ 293,343 | $ 290,744 | $ 2,599 |
| Non-cash straight-line rent | (2,429) | (3,280) | 851 | (11,040) | (13,542) | 2,502 |
| Non-cash tenant incentive amortization | 3,451 | 3,507 | (56) | 12,875 | 12,768 | 107 |
| Property cash NOI | 74,501 | 74,272 | 229 | 295,178 | 289,970 | 5,208 |
| Acquisitions, dispositions and development property cash NOI | 11,399 | 13,214 | (1,815) | 46,579 | 47,819 | (1,240) |
| Same-asset property cash NOI | $ 63,102 | $ 61,058 | $ 2,044 | $ 248,599 | $ 242,151 | $ 6,448 |

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $2,044 or 3.3% increase in same-asset cash NOI for the three months ended December 31, 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 $6,448 or 2.7% increase in same-asset cash NOI for the year ended December 31, 2018 over the same period in 2017 was impacted by the same factors noted above.

Acquisitions, dispositions and development property cash NOI decreased $1,815 for the three months ended December 31, 2018 compared to the three months ended December 31, 2017 primarily due to dispositions in the first three quarters of 2018 and the fourth quarter of 2017, offset in part by acquisitions in the second quarter of 2018. The decrease of $1,240 for the year ended December 31, 2018 over the same period in 2017 is primarily due to lease termination income received in the third quarter of 2017 as well as the dispositions mentioned above.

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

Same-asset property cash NOI is as follows:

| | Three months ended December 31, | | | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | Percent | 2018 | 2017 | Variance | Percent |
| Retail and Commercial Mixed Use | $ 60,353 | $ 58,305 | $ 2,048 | 3.5 % | $ 238,379 | $ 230,924 | $ 7,455 | 3.2 % |
| Office | 2,749 | 2,753 | (4) | (0.1)% | 10,220 | 11,227 | (1,007) | (9.0)% |
| Same-asset property cash NOI | $ 63,102 | $ 61,058 | $ 2,044 | 3.3 % | $ 248,599 | $ 242,151 | $ 6,448 | 2.7 % |

Variances in same-asset property cash NOI for the three months ended December 31, 2018 compared to the same period in 2017 include:

- Retail and Commercial Mixed Use increased $2,048 or 3.5% due to increased occupancy.
- Office decreased $4 or 0.1% as tenants began occupying previously vacant space.

Same-asset property cash NOI for the year ended December 31, 2018 compared to the same period in 2017 were impacted by these same factors.

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

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Acquisitions and dispositions property cash NOI | $ 3,395 | $ 5,151 | $ (1,756) | $ 16,063 | $ 17,266 | $ (1,203) |
| Development property cash NOI | 8,004 | 8,063 | (59) | 30,516 | 30,553 | (37) |
| Total acquisitions, dispositions and development property cash NOI | $ 11,399 | $ 13,214 | $ (1,815) | $ 46,579 | $ 47,819 | $ (1,240) |

For the three months ended December 31, 2018, acquisitions and dispositions property cash NOI decreased $1,756 and decreased $1,203 for the year ended December 31, 2018 compared to the same periods in 2017 as a result of the acquisition and disposition activity discussed above.

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 months and year ended December 31, 2018 by province was as follows:

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | | 2018 | 2017 | |
| *(In thousands of CAD dollars)* | Property NOI | Property NOI | Variance | Property NOI | Property NOI | Variance |
| AB | $ 16,145 | $ 16,227 | $ (82) | $ 64,960 | $ 64,660 | $ 300 |
| BC | 9,797 | 9,176 | 621 | 37,168 | 36,433 | 735 |
| MB | 3,341 | 3,366 | (25) | 13,446 | 13,454 | (8) |
| NB | 3,623 | 3,560 | 63 | 14,315 | 13,053 | 1,262 |
| NL | 7,081 | 7,170 | (89) | 26,767 | 27,778 | (1,011) |
| NS | 13,385 | 14,500 | (1,115) | 56,715 | 59,022 | (2,307) |
| ON | 10,522 | 11,359 | (837) | 42,809 | 44,167 | (1,358) |
| PE | 425 | 396 | 29 | 1,702 | 1,630 | 72 |
| QC | 7,332 | 6,427 | 905 | 28,226 | 23,440 | 4,786 |
| SK | 1,828 | 1,864 | (36) | 7,235 | 7,107 | 128 |
| Total | $ 73,479 | $ 74,045 | $ (566) | $ 293,343 | $ 290,744 | $ 2,599 |

The significant variances in property NOI for the three months and year ended December 31, 2018 compared to the same period in 2017 were impacted by property acquisitions and dispositions as follows:

- New Brunswick - acquisition of an addition to an existing retail property in the second quarter of 2018;
- Nova Scotia - disposition of one mixed use property in the second quarter of 2018, offset in part by the addition to an existing retail property in the third quarter of 2018;
- Ontario - disposition of seven retail properties in 2018, two in the first quarter, one in the second quarter, one in the third quarter and three in the fourth quarter; disposition of 50% interest in three 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 - acquisition of six retail properties in 2018, one in the fourth quarter and five in the second quarter, additions to an existing retail property in the second quarter of 2018 and acquisition of five retail properties 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;
- 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 - reduced property revenue in 2018 from leasing activity primarily in office properties and lease termination income from Target Canada in the third quarter of 2017.

**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 months and year ended December 31, 2018 and 2017 is as follows:

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Increase (decrease) in net assets attributable to Unitholders | $ (13,416) | $ (6,445) | $ (6,971) | $ (26,920) | $ 30,582 | $ (57,502) |
| Add (deduct): | | | | | | |
| Amortization of tenant incentives | 3,451 | 3,507 | (56) | 12,875 | 12,768 | 107 |
| Loss (gain) on disposal of investment properties | (4,580) | (2,474) | (2,106) | (50,023) | (2,474) | (47,549) |
| Impairment of investment properties | 7,000 | — | 7,000 | 15,000 | — | 15,000 |
| Depreciation of investment properties | 17,945 | 18,674 | (729) | 88,818 | 74,845 | 13,973 |
| Amortization of intangible assets | 1,688 | 1,706 | (18) | 6,701 | 6,654 | 47 |
| Amortization of deferred leasing costs | 261 | 239 | 22 | 792 | 708 | 84 |
| Depreciation of investment properties included in Income from equity accounted investments | 5 | — | 5 | 28 | — | 28 |
| Internal leasing costs | 609 | 606 | 3 | 2,436 | 2,424 | 12 |
| Taxes – current on disposition of investment properties | — | (2,069) | 2,069 | — | (2,069) | 2,069 |
| Taxes – deferred | — | — | — | — | (75,400) | 75,400 |
| Finance costs – distributions to Unitholders | 33,724 | 33,511 | 213 | 134,729 | 133,259 | 1,470 |
| Finance costs (income) – change in fair value of financial instruments | (197) | (18) | (179) | (402) | (145) | (257) |
| FFO as calculated based on REALPAC recommendations | $ 46,490 | $ 47,237 | $ (747) | $ 184,034 | $ 181,152 | $ 2,882 |

For the three months ended December 31, 2018, FFO decreased by $747 or 1.6% compared to the three months ended December 31, 2017. The decrease primarily relates to the previously discussed lower property NOI offset in part by reduced finance costs - operations.

For the year ended December 31, 2018, FFO increased by $2,882 or 1.6% compared to the year ended December 31, 2017. The increase relates to higher property NOI from same-asset cash NOI growth as previously discussed and lower general and administrative costs primarily related to 2017 professional fees for the completed tax reorganization.

**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 months and year ended December 31, 2018 and 2017 is as follows:

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| FFO as calculated based on REALPAC recommendations | $ 46,490 | $ 47,237 | $ (747) | $ 184,034 | $ 181,152 | $ 2,882 |
| Add (deduct): | | | | | | |
| Amortization of effective swap agreements | 557 | 580 | (23) | 2,263 | 2,354 | (91) |
| Straight-line rent adjustment | (2,429) | (3,280) | 851 | (11,040) | (13,542) | 2,502 |
| Internal leasing costs | (609) | (606) | (3) | (2,436) | (2,424) | (12) |
| Maintenance expenditures on a square footage basis | (4,238) | (4,450) | 212 | (17,027) | (17,682) | 655 |
| AFFO as calculated based on REALPAC recommendations | $ 39,771 | $ 39,481 | $ 290 | $ 155,794 | $ 149,858 | $ 5,936 |

For the three months ended December 31, 2018, AFFO increased by $290 or 0.7% compared to the three months ended December 31, 2017. The increase primarily relates to the reduced impact of straight-line rent on operating results, offset in part by the $747 or 1.6% decrease in FFO as previously discussed.

For the year ended December 31, 2018, AFFO increased by $5,936 or 4.0% compared to the year ended December 31, 2017. The increase primarily relates to the $2,882 or 1.6% increase in FFO as previously discussed and the reduced impact of straight-line rent on operating results.

**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**

| *(In thousands of CAD dollars)* | Year ended Dec. 31, 2018 | Three months ended Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Year ended Dec. 31, 2017 | Three months ended Dec. 31, 2017 | Sep. 30, 2017 | Jun. 30, 2017 | Mar. 31, 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total additions to investment properties | $ 91,211 | $ 29,716 | $ 21,616 | $ 16,877 | $ 23,002 | $ 46,800 | $ 16,887 | $ 13,921 | $ 8,751 | $ 7,241 |
| Less: revenue enhancing expenditures | (82,647) | (26,488) | (19,982) | (15,316) | (20,861) | (34,317) | (12,032) | (11,389) | (6,713) | (4,183) |
| Maintenance capital expenditures | 8,564 | 3,228 | 1,634 | 1,561 | 2,141 | 12,483 | 4,855 | 2,532 | 2,038 | 3,058 |
| Total additions to TI and deferred leasing costs | 17,488 | 3,099 | 3,629 | 2,779 | 7,981 | 19,660 | 6,952 | 2,476 | 5,324 | 4,908 |
| Less: revenue enhancing expenditures | (10,936) | (2,295) | (940) | (1,267) | (6,434) | (15,160) | (5,233) | (1,754) | (4,157) | (4,016) |
| Maintenance TI and deferred leasing costs | 6,552 | 804 | 2,689 | 1,512 | 1,547 | 4,500 | 1,719 | 722 | 1,167 | 892 |
| Total maintenance expenditures - actual | $ 15,116 | $ 4,032 | $ 4,323 | $ 3,073 | $ 3,688 | $ 16,983 | $ 6,574 | $ 3,254 | $ 3,205 | $ 3,950 |
| Reserve amount charged against AFFO and ACFO | $ 17,027 | $ 4,238 | | | | $ 17,682 | $ 4,450 | | | |

Maintenance capital expenditures for the year ended December 31, 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 year ended December 31, 2018 consisted primarily of development work and GLA expansions at: Avalon Mall, St. John's, NL; Belmont Market, Victoria, BC; Cassils Road, Brooks, AB; Edmundston Plaza, Edmundston, NB; Uptown Centre, Fredericton, NB; Algonquin Avenue Mall, North Bay, ON; Scotia Square, Halifax, NS; Deer Lake, NL; Kinlock Plaza, Stratford, PE; and, Penhorn lands, Halifax, NS.

**Depreciation, Amortization and Impairment**

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Same-asset depreciation and amortization | $ 16,618 | $ 16,506 | $ (112) | $ 65,957 | $ 67,089 | $ 1,132 |
| Acquisitions, dispositions and development depreciation/ amortization | 3,288 | 4,113 | 825 | 30,396 | 15,118 | (15,278) |
| Depreciation and amortization | $ 19,906 | $ 20,619 | $ 713 | $ 96,353 | $ 82,207 | $ (14,146) |

Same-asset depreciation and amortization increased by $112 for the three months ended December 31, 2018 and decreased by $1,132 for the year ended December 31, 2018 compared to the same periods in 2017. The decrease is due primarily to the expiry of the initial term of 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 for the year ended December 31, 2018 primarily as a result of the partial demolitions of buildings at two redevelopment properties in the first quarter of 2018 and one property in the third quarter of 2018.

Accelerated depreciation of $8,444 in the first quarter and $8,930 in the third quarter was realized in relation to the partial demolitions. The decrease of $825 in the three months ended December 31, 2018 over the same period in 2017 relates to the net disposition activity.

During the year ended December 31, 2018, Crombie recorded impairments totalling $15,000, $8,000 on two retail properties in the second quarter and $7,000 on an office property in the fourth quarter. 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 $797,088 at December 31, 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, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

**General and Administrative Expenses**

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

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Salaries and benefits | $ 3,511 | $ 2,576 | $ (935) | $ 13,111 | $ 11,175 | $ (1,936) |
| Professional fees | 97 | 180 | 83 | 924 | 2,247 | 1,323 |
| Public company costs | 612 | 613 | 1 | 2,161 | 2,225 | 64 |
| Rent and occupancy | 206 | 229 | 23 | 728 | 816 | 88 |
| Other | 758 | 648 | (110) | 2,302 | 2,614 | 312 |
| General and administrative expenses | $ 5,184 | $ 4,246 | $ (938) | $ 19,226 | $ 19,077 | $ (149) |
| As a percentage of property revenue | 5.0% | 4.0% | (1.0)% | 4.6% | 4.6% | 0.0% |

For the three months ended December 31, 2018, general and administrative expenses, as a percentage of property revenue, were 5.0%, an increase of 1.0% from the same period in 2017, with expenses increasing $938 or 22.1% and property revenue decreasing 1.3%. The increase in expenses is primarily due to higher salary and benefit costs. For the year ended December 31, 2018, general and administrative expenses, as a percentage of property revenue, remained the same compared to the year ended December 31, 2017, with expenses decreasing $149 or 0.8% and property revenue increasing 0.7%. Salaries and benefits increased $1,936 on higher wage costs and employee severance costs. 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 $1,059 were included in professional fees for the year ended December 31, 2017. Excluding these costs, general and administrative expenses represented 4.4% of property revenue for the year ended December 31, 2017.

**Finance Costs - Operations**

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Finance costs | $ 24,481 | $ 25,105 | $ 624 | $ 98,210 | $ 98,949 | $ 739 |
| Amortization of effective swaps and deferred financing charges | 1,487 | 1,576 | 89 | 7,421 | 6,828 | (593) |
| Finance costs – operations | $ 25,968 | $ 26,681 | $ 713 | $ 105,631 | $ 105,777 | $ 146 |

Finance costs for the three months and year ended December 31, 2018 decreased by $624 and $739, respectively, compared to the same periods in 2017. The decreases relate to property acquisitions and dispositions, mortgage payouts and increased utilization of floating rate credit facilities. Significant refinancings during the year included: the early redemption of $74,400 of 5.25% Convertible Debentures refinanced with $75,000 of additional Series B Unsecured Notes issued with an effective interest rate of 3.882%; and, maturity of $175,000 of 3.986% Series A Unsecured Notes refinanced with $175,000 of Series E Unsecured Notes with an effective interest rate of 4.802%. The early redemption of the Convertible Debentures resulted in the accelerated write-off of $982 of deferred financing charges.

**Finance Costs - Distributions**

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

Details of distributions to Unitholders are as follows:

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| *(In thousands of CAD dollars, except as otherwise noted)* | 2018 | 2017 | 2018 | 2017 |
| Distributions to Unitholders | $ 19,934 | $ 19,809 | $ 79,638 | $ 78,775 |
| Distributions to Special Voting Unitholders | 13,790 | 13,702 | 55,091 | 54,484 |
| Total distributions | $ 33,724 | $ 33,511 | $ 134,729 | $ 133,259 |
| FFO payout ratio | 72.5% | 70.9% | 73.2% | 73.6% |
| AFFO payout ratio | 84.8% | 84.9% | 86.5% | 88.9% |
| ACFO payout ratio | 85.7% | 82.1% | 85.7% | 87.7% |

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 and has the following sources of financing available:

(i) secured short-term financing through an authorized revolving credit facility, maturing June 30, 2022, of up to $400,000, subject to available borrowing base, of which $108,843 ($117,541 including outstanding letters of credit) was drawn at December 31, 2018;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2020, of up to $100,000, of which $70,000 was drawn at December 31, 2018;

(iii) recycling capital through the disposition of select investment properties;

(iv) secured mortgage and term debt on unencumbered properties, Crombie currently has $998,523 of fair value in unencumbered properties, which is defined as those properties that are free and clear of any encumbrances, including mortgages and pledging as security for floating rate revolving credit facility;

(v) the issuance of additional senior unsecured notes;

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

(vii) 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

| *(In thousands of CAD dollars)* | December 31, 2018 | | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|---|
| Mortgages | $ 1,601,584 | 40.8% | $ 1,751,096 | 44.2% | $ 1,645,103 | 43.5% |
| Credit facilities | 178,843 | 4.6% | 53,168 | 1.4% | 220,374 | 5.8% |
| Senior unsecured notes | 698,716 | 17.8% | 624,320 | 15.8% | 398,588 | 10.5% |
| Convertible debentures | — | —% | 73,164 | 1.8% | 132,134 | 3.5% |
| Crombie REIT Unitholders | 864,779 | 22.1% | 873,478 | 22.1% | 834,203 | 22.0% |
| Special Voting Units and Class B Limited Partnership Unitholders | 578,061 | 14.7% | 583,777 | 14.7% | 555,943 | 14.7% |
| | $ 3,921,983 | 100.0% | $ 3,959,003 | 100.0% | $ 3,786,345 | 100.0% |

### Liquidity and Financing Sources

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $400,000 (the “revolving credit facility”), with a maturity date of June 30, 2022, of which $108,843 ($117,541 including outstanding letters of credit) was drawn as at December 31, 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 December 31, 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 $70,000 was drawn as at December 31, 2018, and matures May 16, 2020. 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:

| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Fixed rate mortgages | $ 1,608,749 | $ 1,759,984 | $ 1,652,091 |
| Unamortized fair value debt adjustment | 1,891 | 2,831 | 3,726 |
| | 1,610,640 | 1,762,815 | 1,655,817 |
| Deferred financing charges | (9,056) | (11,719) | (10,714) |
| Total mortgage debt | $ 1,601,584 | $ 1,751,096 | $ 1,645,103 |

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 4.6 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 $109,295 of floating rate mortgage debt.

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

| *(In thousands of CAD dollars)* | Maturing Debt Balances | | | | | | |
|---|---|---|---|---|---|---|---|
| 12 Months Ending | Mortgages | Credit Facilities | Total | % of Total | Payments of Principal | Total Required Payments | % of Total |
| December 31, 2019 | $ 126,978 | $ — | $ 126,978 | 8.5% | $ 53,544 | $ 180,522 | 10.1% |
| December 31, 2020 | 225,241 | 70,000 | 295,241 | 19.7% | 46,912 | 342,153 | 19.1% |
| December 31, 2021 | 89,182 | — | 89,182 | 5.9% | 45,250 | 134,432 | 7.5% |
| December 31, 2022 | 194,868 | 108,843 | 303,711 | 20.2% | 38,829 | 342,540 | 19.2% |
| December 31, 2023 | 252,932 | — | 252,932 | 16.9% | 31,557 | 284,489 | 15.9% |
| Thereafter | 432,861 | — | 432,861 | 28.8% | 70,595 | 503,456 | 28.2% |
| Total [(1)] | $ 1,322,062 | $ 178,843 | $ 1,500,905 | 100.0% | $ 286,687 | $ 1,787,592 | 100.0% |

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

Of the maturing debt balances, only 33.4% of mortgages and 34.1% of total maturing debt balances mature over the next three years.

Senior unsecured notes

| | Maturity Date | Effective Interest Rate | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| Series A | October 31, 2018 | 3.986% | $ — | $ 175,000 |
| Series B | June 1, 2021 | 3.769% | 250,000 | 175,000 |
| Series C | February 10, 2020 | 2.775% | 125,000 | 125,000 |
| Series D | November 21, 2022 | 4.066% | 150,000 | 150,000 |
| Series E | January 31, 2025 | 4.802% | 175,000 | — |
| Unamortized Series B issue premium | | | 1,068 | 1,323 |
| Deferred financing charges | | | (2,352) | (2,003) |
| | | | $ 698,716 | $ 624,320 |

On October 31, 2018, Crombie issued $175,000 of 4.8% Series E Senior Unsecured Notes maturing January 31, 2025. The Notes were priced at $999.96 per $1,000.00 of principal amount, resulting in an effective yield to maturity of 4.802%. The net proceeds were used to fund the $175,000 of 3.986% Series A Senior Unsecured Notes which matured on October 31, 2018.

On August 31, 2018, Crombie issued, on a private placement basis, an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes"), maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.882% and sold at a price of $1,002.02 per $1,000.00 principal amount plus accrued interest.

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.

Convertible debentures

| | Conversion Price | Maturity Date | Interest Rate | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|---|
| Series D | $ 20.10 | July 4, 2017 | 5.00% | $ — | $ — |
| Series E | $ 17.15 | August 31, 2018 | 5.25% | — | 74,400 |
| Deferred financing charges | | | | — | (1,236) |
| | | | | $ — | $ 73,164 |

On August 31, 2018, Crombie exercised its right to redeem its 5.25% Series E Convertible Unsecured Subordinated Debentures originally scheduled to mature on March 31, 2021 (the “Debentures”) in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures $1,022.01 per $1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

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.

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

For the year ended December 31, 2018, Crombie issued 469,649 REIT Units and 333,058 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 January 31, 2019, were as follows:

| | |
|---|---|
| Units | 89,608,850 |
| Special Voting Units [(1)] | 61,987,986 |

[(1)] Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,987,986 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.

**Sources and Uses of Funds**

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Cash provided by (used in): | | | | | | |
| Operating activities | $ 10,401 | $ 21,349 | $ (10,948) | $ 54,270 | $ 91,145 | $ (36,875) |
| Financing activities | 8,955 | (12,305) | 21,260 | (174) | 82,648 | (82,822) |
| Investing activities | (19,356) | (9,044) | (10,312) | (54,096) | (173,793) | 119,697 |
| Net change during the period | $ — | $ — | $ — | $ — | $ — | $ — |

Operating Activities

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Cash provided by (used in): | | | | | | |
| Net assets attributable to Unitholders and non-cash items | $ 11,682 | $ 17,821 | $ (6,139) | $ 52,727 | $ 69,741 | $ (17,014) |
| Non-cash operating items | (1,280) | 1,459 | (2,739) | 1,546 | 19,335 | (17,789) |
| Income taxes paid | (1) | 2,069 | (2,070) | (3) | 2,069 | (2,072) |
| Cash provided by (used in) operating activities | $ 10,401 | $ 21,349 | $ (10,948) | $ 54,270 | $ 91,145 | $ (36,875) |

For the three months ended December 31, 2018, cash from operating activities decreased by $10,948 over the same period in 2017. During the quarter, distributions reinvested through the DRIP decreased $5,891. The decrease of $2,739 in non-cash operating items primarily relates to the timing of payments on prepaid expenses and payables.

For the year ended December 31, 2018, cash from operating activities decreased by $36,875 over the same period in 2017. The decrease primarily relates to a reduction of $21,253 in distributions reinvested through the DRIP and to the reduced cash from non-cash operating items of $17,789. 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.

Financing Activities

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Cash provided by (used in): | | | | | | |
| Issuance of new mortgages | $ — | $ — | $ — | $ — | $ 192,783 | $ (192,783) |
| Regular principal repayment of mortgages | (13,108) | (13,661) | 553 | (53,145) | (52,479) | (666) |
| Lump sum principal repayment of mortgages | — | — | — | (64,713) | (50,379) | (14,334) |
| Net issue (repayment) on credit facilities | 24,695 | (147,323) | 172,018 | 125,675 | (167,206) | 292,881 |
| Deferred financing charges - investment property debt | (458) | (456) | (2) | (742) | (3,802) | 3,060 |
| Issuance of senior unsecured notes | 175,000 | 150,000 | 25,000 | 250,152 | 226,413 | 23,739 |
| Deferred financing charges - senior unsecured notes | (841) | (652) | (189) | (1,169) | (999) | (170) |
| Redemption of senior unsecured notes | (175,000) | — | (175,000) | (175,000) | — | (175,000) |
| Redemption of convertible debentures | — | — | — | (74,400) | (60,000) | (14,400) |
| Other items (net) | (1,333) | (213) | (1,120) | (6,832) | (1,683) | (5,149) |
| Cash provided by (used in) financing activities | $ 8,955 | $ (12,305) | $ 21,260 | $ (174) | $ 82,648 | $ (82,822) |

Cash provided by financing activities for the three months ended December 31, 2018 increased by $21,260 from the same period in 2017. During the three months ended December 31, 2018, Crombie increased floating rate credit facilities by $24,695 (three months ended December 31,

2017 - decrease of $147,323) primarily related to property acquisitions and additions. On October 31, 2018, $175,000 of 3.986% Series A Notes (senior unsecured) matured and were refinanced with $175,000 of Series E Notes (senior unsecured) with an effective interest rate of 4.802%. During the three months ended December 31, 2017, Crombie decreased the balance of its floating rate credit facilities with proceeds from the issue of $150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured).

Cash provided by financing activities for the year ended December 31, 2018 decreased by $82,822 from the same period in 2017. During the year ended December 31, 2018, Crombie repaid $64,713 (year ended December 31, 2017 - $50,379) in maturing mortgages and increased floating rate credit facilities by $125,675. In addition to the refinancing in the fourth quarter of 2018 noted above, Crombie issued $75,000 of additional Series B Notes (senior unsecured) with an effective interest rate of 3.882% with proceeds used to fund the early redemption of $74,400 of 5.25% Convertible Debentures. During the year ended December 31, 2017, Crombie issued $192,783 in new mortgages with a weighted average interest rate of 3.43% and utilized the proceeds for property acquisitions 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

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Cash provided by (used in): | | | | | | |
| Acquisition of investment properties | $ (9,630) | $ — | $ (9,630) | $(118,184) | $(119,357) | $ 1,173 |
| Additions to investment properties | (29,716) | (16,887) | (12,829) | (91,211) | (46,800) | (44,411) |
| Proceeds on disposal of investment properties | 26,186 | 15,645 | 10,541 | 190,013 | 15,645 | 174,368 |
| Proceeds on disposal of marketable securities | — | — | — | 1,252 | 1,220 | 32 |
| Additions to tenant incentives | (2,873) | (6,580) | 3,707 | (16,505) | (18,381) | 1,876 |
| Additions to deferred leasing costs | (226) | (372) | 146 | (983) | (1,279) | 296 |
| Additions to fixtures and computer equipment | (1,092) | (850) | (242) | (4,248) | (3,140) | (1,108) |
| Acquisition of interest in joint ventures | — | — | — | (10,210) | (1,701) | (8,509) |
| Additions to investment in joint ventures | (2,005) | — | (2,005) | (4,020) | — | (4,020) |
| Cash provided by (used in) investing activities | $ (19,356) | $ (9,044) | $ (10,312) | $ (54,096) | $(173,793) | $ 119,697 |

Cash used in investing activities for the three months ended December 31, 2018 increased by $10,312 over the same period in 2017. During the three months ended December 31, 2018, Crombie acquired one retail property and an addition to an existing retail property for net cash of $9,630 and completed the disposition of three retail properties for net proceeds of $26,186. During the three months ended December 31, 2017, Crombie completed the disposition of one retail property for net proceeds of $15,645.

Cash used in investing activities for the year ended December 31, 2018 decreased by $119,697 over the same period in 2017. During the year ended December 31, 2018, Crombie completed the acquisitions and dispositions noted above as well as the acquisition of 10 retail properties and additions to three existing retail properties and the disposition of five retail properties and one mixed use property, disposition of a 50% interest in nine retail properties and disposition of 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 months and year ended December 31, 2018 and 2017 is as follows:

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 | 2018 | 2017 |
| Cash flow from operations | $ 10,401 | $ 21,349 | $ 54,270 | $ 91,145 |
| Add (deduct): | | | | |
| Distributions to unitholders included in cash flow from operations | 33,724 | 33,511 | 134,729 | 133,259 |
| Non-cash DRIP amount included in above distributions | (677) | (6,568) | (10,100) | (31,353) |
| Change in non-cash working capital balances not indicative of sustainable cash flows | 1,070 | 31 | 541 | (16,943) |
| Reserve for maintenance expenditures | (4,238) | (4,450) | (17,027) | (17,682) |
| Taxes related to non-operating activities | — | (2,069) | — | (2,069) |
| Amortization of deferred financing charges | (930) | (996) | (5,158) | (4,474) |
| ACFO as calculated based on REALPAC recommendations | 39,350 | 40,808 | 157,255 | 151,883 |
| Total distributions declared during the period | 33,724 | 33,511 | 134,729 | 133,259 |
| Excess of ACFO over total distributions | $ 5,626 | $ 7,297 | $ 22,526 | $ 18,624 |
| ACFO payout ratio | 85.7% | 82.1% | 85.7% | 87.7% |

**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 December 31, 2018, the remaining amount available under the revolving credit facility was approximately $291,000 (prior to reduction for standby letters of credit outstanding of $8,698) and was not limited by the Aggregate Borrowing Base. At December 31, 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 valuators. 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 51.0% at December 31, 2018 compared to 50.3% at December 31, 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 year ended December 31, 2018, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties increased 0.17% to 6.10%.

| *(In thousands of CAD dollars, except as otherwise noted)* | As at | | | | |
|---|---|---|---|---|---|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Fixed rate mortgages | $ 1,610,640 | $ 1,618,489 | $ 1,631,707 | $ 1,718,804 | $ 1,762,815 |
| Senior unsecured notes | 700,000 | 700,000 | 625,000 | 625,000 | 625,000 |
| Convertible debentures | — | — | 74,400 | 74,400 | 74,400 |
| Revolving credit facility | 108,843 | 54,148 | 32,422 | 11,161 | 8,168 |
| Bilateral credit facility | 70,000 | 100,000 | 100,000 | 50,000 | 45,000 |
| Total debt outstanding | 2,489,483 | 2,472,637 | 2,463,529 | 2,479,365 | 2,515,383 |
| Less: Applicable fair value debt adjustment | (818) | (891) | (965) | (1,040) | (1,117) |
| Debt | $ 2,488,665 | $ 2,471,746 | $ 2,462,564 | $ 2,478,325 | $ 2,514,266 |
| | | | | | |
| Investment properties, at fair value | $ 4,776,000 | $ 4,786,000 | $ 4,862,000 | $ 4,943,000 | $ 4,944,000 |
| Other assets, cost [(1)] | 52,677 | 57,181 | 60,354 | 33,469 | 41,056 |
| Deferred financing charges | 11,408 | 11,058 | 12,815 | 14,095 | 14,958 |
| Investment in joint ventures | 39,485 | 37,578 | 2,715 | 2,711 | 2,602 |
| Interest rate subsidy | (818) | (891) | (965) | (1,040) | (1,117) |
| Gross book value - fair value basis | $ 4,878,752 | $ 4,890,926 | $ 4,936,919 | $ 4,992,235 | $ 5,001,499 |
| Debt to gross book value - fair value basis | 51.0% | 50.5% | 49.9% | 49.6% | 50.3% |

[(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.

**Coverage Ratios**

EBITDA is a non-GAAP measure and 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. Crombie believes EBITDA 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.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 | Sep. 30, 2017 | Jun. 30, 2017 | Mar. 31, 2017 |
| Property revenue | $ 104,296 | $ 100,505 | $ 104,143 | $ 105,705 | $ 105,667 | $ 102,424 | $ 101,591 | $ 102,131 |
| Amortization of tenant incentives | 3,451 | 3,334 | 2,468 | 3,622 | 3,507 | 2,759 | 2,960 | 3,542 |
| Adjusted property revenue | 107,747 | 103,839 | 106,611 | 109,327 | 109,174 | 105,183 | 104,551 | 105,673 |
| Property operating expenses | (30,817) | (27,660) | (29,925) | (32,904) | (31,622) | (28,259) | (29,793) | (31,395) |
| General and administrative expenses | (5,184) | (4,925) | (4,626) | (4,491) | (4,246) | (4,675) | (5,160) | (4,996) |
| EBITDA (1) | $ 71,746 | $ 71,254 | $ 72,060 | $ 71,932 | $ 73,306 | $ 72,249 | $ 69,598 | $ 69,282 |
| Trailing 12 months EBITDA (4) | $ 286,992 | $ 288,552 | $ 289,547 | $ 287,085 | $ 284,435 | | | |
| Finance costs – operations | $ 25,968 | $ 26,573 | $ 26,381 | $ 26,709 | $ 26,681 | $ 26,244 | $ 26,892 | $ 25,960 |
| Amortization of deferred financing charges | (930) | (2,019) | (1,093) | (1,116) | (996) | (1,010) | (1,521) | (947) |
| Amortization of effective swap agreements | (557) | (563) | (568) | (575) | (580) | (586) | (591) | (597) |
| Adjusted interest expense (2) | $ 24,481 | $ 23,991 | $ 24,720 | $ 25,018 | $ 25,105 | $ 24,648 | $ 24,780 | $ 24,416 |
| Debt principal repayments (3) | $ 13,108 | $ 13,033 | $ 13,124 | $ 13,880 | $ 13,661 | $ 13,078 | $ 13,056 | $ 12,684 |
| Debt outstanding (see Debt to Gross Book Value) (5) [1] | $ 2,488,665 | $ 2,471,746 | $ 2,462,564 | $ 2,478,325 | $ 2,514,266 | | | |
| Interest service coverage ratio {(1)/(2)} | 2.93x | 2.97x | 2.92x | 2.88x | 2.92x | 2.93x | 2.81x | 2.84x |
| Debt service coverage ratio {(1)/((2)+(3))} | 1.91x | 1.92x | 1.90x | 1.85x | 1.89x | 1.92x | 1.84x | 1.87x |
| Debt to trailing 12 months EBITDA {(5)/(4)} | 8.67x | 8.57x | 8.50x | 8.63x | 8.84x | | | |

[1] Outstanding debt previously calculated as part of the Debt to Gross Book Value - Fair Value Basis calculation.

## ACCOUNTING

### Related Party Transactions

As at December 31, 2018, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

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

Crombie's transactions with related parties are as follows:

| | | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | **Note** | 2018 | 2017 | 2018 | 2017 |
| **Property revenue** | | | | | |
| Property revenue | **(a)** | $ 51,241 | $ 50,766 | $ 214,565 | $ 208,083 |
| Head lease income | **(b)** | $ 254 | $ 390 | $ 730 | $ 922 |
| Lease termination income | | $ — | $ (2) | $ — | $ 100 |
| **Property operating expenses** | **(c)** | $ (18) | $ (18) | $ (58) | $ (47) |
| **General and administrative expenses** | | | | | |
| Property management services recovered | **(d)** | $ 189 | $ 161 | $ 611 | $ 645 |
| Other general and administrative expenses | | $ (53) | $ (91) | $ (203) | $ (295) |
| **Finance costs - operations** | | | | | |
| Interest on convertible debentures | **(e)** | $ — | | $ — | $ (608) |
| Interest rate subsidy | **(b)** | $ 73 | $ 77 | $ 299 | $ 335 |
| **Finance costs - distributions to Unitholders** | | $ (13,992) | $ (13,905) | $ (55,900) | $ (55,293) |

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

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

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Agreement effective January 1, 2016.

(d) 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.

(e) Empire held $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00% until their redemption on July 4, 2017.

In addition to the above:

- On September 28, 2018, Crombie acquired an addition to an existing property representing approximately 10,000 square feet of gross leaseable area from a subsidiary of Empire for $3,735 before closing and transaction costs.
- 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 year ended December 31, 2018, Crombie issued 333,058 (December 31, 2017 - 977,009) Class B LP Units to ECLD under the DRIP.
- On September 29, 2017, Crombie acquired an addition to an existing property representing approximately 31,000 square feet of gross leaseable area from a subsidiary of Empire for $7,671 before closing and transaction costs.
- 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.

**Key management personnel compensation**

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

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

| | Year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Salary, bonus and other short-term employee benefits | $ 5,865 | $ 4,389 |
| Other long-term benefits | 106 | 98 |
| | $ 5,971 | $ 4,487 |

**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, 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**

Investment property acquisitions

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders. Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities and allocates the purchase price to the acquired assets and liabilities. Crombie assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

Crombie allocates the purchase price based on the following:

Land - The amount allocated to land is based on an appraisal estimate of its fair value.

Buildings - Buildings are recorded at the estimated fair value of the building and its components and significant parts.

Intangible Assets - Intangible assets are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt - Values ascribed to fair value of debt are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

Investment properties

Investment properties are properties which are held to earn rental income.

Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Repairs and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the expected useful life of the improvement.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

Revenue recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax and operating cost recoveries, and other incidental income, are recognized on an accrual basis.

**Critical Judgments**

Judgments made by management in the preparation of these financial statements that have significant effect and estimates with a significant risk of material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of long-lived tangible and definite life intangible assets

Long-lived tangible and definite life intangible assets are reviewed for impairment at each reporting period for events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the date of the valuation, represent an estimate of the price that would be agreed upon between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Internal quarterly revaluations are performed using internally generated valuation models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation. Net annual cash flows are primarily determined using the trailing 12 months actual results.

Purchase price allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition. This allocation contains a number of estimates and underlying assumptions including, but not limited to, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates and leasing costs.

Fair value of financial instruments

The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by Crombie and a knowledgeable, willing party in an arm's length transaction.

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

**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 December 31, 2018:

| *(In thousands of CAD dollars)* | | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Financial assets** | Level | | |
| 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 year ended December 31, 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:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| *(In thousands of CAD dollars)* | Fair Value | Carrying Value | Fair Value | Carrying Value |
| **Financial assets** | | | | |
| Long-term receivables[(1)] | $ 21,885 | $ 21,882 | $ 6,642 | $ 6,628 |
| Total other financial assets | $ 21,885 | $ 21,882 | $ 6,642 | $ 6,628 |
| **Financial liabilities** | | | | |
| Investment property debt | $ 1,829,772 | $ 1,789,483 | $ 1,846,029 | $ 1,815,983 |
| Senior unsecured notes | 702,893 | 700,000 | 627,120 | 625,000 |
| Convertible debentures | — | — | 76,818 | 74,400 |
| Total other financial liabilities | $ 2,532,665 | $ 2,489,483 | $ 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 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, Contingencies and Guarantees**

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 December 31, 2018, Crombie has a total of $8,698 in outstanding letters of credit related to:

| | December 31, | |
|---|---|---|
| *(In thousands of CAD dollars)* | 2018 | 2017 |
| Construction work being performed on investment properties | $ 3,858 | $ 3,879 |
| Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties | 4,840 | 4,840 |
| Total outstanding letters of credit | $ 8,698 | $ 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 six to 71 years including renewal options. For the three months and year ended December 31, 2018, Crombie paid $465 and $1,864 in land lease payments to third party landlords (three months and year ended December 31, 2017 - $445 and $1,685).

As at December 31, 2018, Crombie had signed construction contracts totalling $206,295 of which $165,120 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at December 31, 2018, Crombie has provided guarantees of approximately $38,245 (December 31, 2017 - $NIL) on mortgages in excess of their ownership interest in the properties. The mortgages have a weighted average term to maturity of 5.9 years.

## RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. In addition, certain significant expenditures, including property taxes, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also helps to mitigate this risk.

**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, 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 55.5% of annual minimum rent; no other tenant accounts for more than 4.4% 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 $51,241 and $214,565 respectively for the three months and year ended December 31, 2018 (three months and year ended December 31, 2017 - $50,766 and $208,083 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 6.1% 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.

**Competition**

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Crombie in seeking tenants. Some of the properties located in the same markets as Crombie’s properties are newer, better located, less levered or have stronger anchor tenants than Crombie’s properties. Some property owners with properties located in the same markets as Crombie’s properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on Crombie’s ability to lease space in its properties and on the rents charged or concessions granted.

**Risk Factors Related to the Business of Crombie**

Development Risk

Crombie owns a number of investment properties at varying stages of development as well as a significant pipeline of potential future development properties.

Development risk associated with development projects underway include: construction delays and their impact on financing and related costs as well as commitments from tenants for occupancy; cost overruns which could impact the profitability and/or financial viability of a project; and, the inability to meet revenue projections upon completion, which could be impacted by unmet leasing assumptions on timing of tenant occupancy or rent per square foot. Management strives to mitigate these risks by undertaking certain projects with partners (see Joint Arrangement Risk); entering into fixed cost construction contracts with reputable contractors; entering into long-term financing at the most appropriate stage possible; and, entering into long-term leases with reputable commercial tenants prior to construction wherever possible.

Development risks associated with potential future development properties include all of the above risks as well as the risks associated with the ability to develop the property at all. This may include waiting for all current leases to expire or negotiating favourable terms with current tenants which could include costs associated with lease interruptions to permit development; and, inability to receive various required municipal / provincial approvals for site plan, development, zoning, construction, etc.

Joint Arrangement Risk

Crombie has entered into joint arrangements or partnerships with other third party entities. Risks associated with these arrangements include risk of default by a partner on financing obligations or non-performance of a partner's obligations on a project, which may include development, construction, management or leasing. Crombie attempts to mitigate these risks by entering into arrangements with financially stable, reputable partners with a proven track record and by negotiating contractual rights in the event of a default.

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 55.5% of the annual minimum rent (56.5% including Lawton's) and 50.6% of total property revenue (51.4% including Lawton's) generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending, including the growing trend in e-commerce, could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last four years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn any one specific geographic region in Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2018 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada has been predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 36.4% at December 31, 2018.

Cyber Security Risk

A cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of Crombie's information resources. Such events, intentional or unintentional, could include malicious software attacks, unauthorized access to confidential data or information systems or security breaches and could lead to a disruption of operations or unauthorized access to, and release of, confidential information. The results could be reputational damage with tenants and suppliers as well as financial costs or a disruption to Crombie's business. Crombie has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.

**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 December 31, 2018:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 4.6 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 $108,843 at December 31, 2018;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $70,000 at December 31, 2018; and,
- Crombie has interest rate swap agreements in place on $109,295 of floating rate mortgage debt.

Crombie estimates that $2,165 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ended December 31, 2019, based on all settled swap agreements as of December 31, 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 | |
|---|---|---|
| Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility | Decrease in rate | Increase in rate |
| Three months ended December 31, 2018 | $ 214 | $ (214) |
| Three months ended December 31, 2017 | $ 124 | $ (124) |
| Year ended December 31, 2018 | $ 611 | $ (611) |
| Year ended December 31, 2017 | $ 468 | $ (468) |

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:

| | | Year ending December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars)* | Contractual Cash Flows[1] | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
| Fixed rate mortgages[2] | $ 1,878,846 | $ 247,213 | $ 323,962 | $ 180,834 | $ 270,926 | $ 312,584 | $ 543,327 |
| Senior unsecured notes | 802,610 | 27,873 | 149,788 | 268,626 | 163,823 | 8,400 | 184,100 |
| | 2,681,456 | 275,086 | 473,750 | 449,460 | 434,749 | 320,984 | 727,427 |
| Floating rate credit facilities | 196,966 | 6,877 | 75,128 | 4,079 | 110,882 | — | — |
| **Total** | $ 2,878,422 | $ 281,963 | $ 548,878 | $ 453,539 | $ 545,631 | $ 320,984 | $ 727,427 |

[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.

**Environmental Matters**

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, Crombie is subject to various Canadian federal, provincial and municipal laws relating to environmental matters.

Such laws provide that Crombie could become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. The failure to remove or otherwise address such substances, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

Crombie's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment.

Crombie is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. Crombie has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

Potential Conflicts of Interest

The trustees will, from time to time, in their individual capacities, deal with parties with whom Crombie may be dealing, or may be seeking investments similar to those desired by Crombie. The interests of these persons could conflict with those of Crombie. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of independent elected trustees only.

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of Empire and/or its affiliates or will provide management or other services to Empire and its affiliates. Empire and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and Empire have entered into a number of agreements to outline how potential conflicts of interest will be dealt with, including a Non-Competition Agreement, Management Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of Empire appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and Empire or another related party.

Reliance on Key Personnel

The management of Crombie depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Crombie and adversely impact Crombie's financial condition. Crombie does not have key-man insurance on any of its key employees.

Reliance on Empire, Sobeys and Other Empire Affiliates

Empire has agreed to support Crombie under an omnibus subsidy agreement and to pay ongoing rent pursuant to a head lease and a ground lease. Empire and specific subsidiaries have provided the Omnibus Environmental Indemnity described above under "Related Party Transactions". In addition, a significant portion of Crombie's rental income will be received from tenants that are affiliates of Empire. Finally, Empire has obligations to indemnify Crombie in respect to the cost of environmental remediation of certain properties acquired by Crombie from Empire to a maximum permitted amount. There is no certainty that Empire will be able to perform its obligations to Crombie in connection with these agreements. Empire and specific subsidiaries have not provided any security to guarantee these obligations. If Empire, Sobeys or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

**Risk Factors Related to the Units**

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

It is anticipated that the redemption of Units will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and, (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Crombie.

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders and such additional distributions may be in the form of cash and/or additional Units. Unitholders will generally be required to include an amount equal to the fair market value of any additional Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly if one or more of such properties are disposed of, the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have been if it had acquired the properties at a tax cost equal to their fair market values.

Publicly traded income trusts, or specified investment flow-through entities ("SIFTs"), are subject to income taxation at corporate tax rates, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. 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 or be subject to the restrictions on its growth that would apply to SIFTs.

While REITs were exempted from the SIFT taxation, a number of technical tests apply to determine which entities would qualify as a REIT. These technical tests did not fully accommodate the business structures used by many Canadian REITs.

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2018 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

Notwithstanding that Crombie may meet the criteria for a REIT and thus be exempt from the distribution tax, there can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse impact on Crombie or its Unitholders.

Indirect Ownership of Units by Empire

Empire holds a 41.5% economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, Empire is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Senior Unsecured Notes ("Notes")

There is no public market through which the Notes may be sold. Crombie does not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favourable price. If a public trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- Crombie's operating performance and financial condition;
- Crombie's credit rating;
- the interest of securities dealers in making a market for them; and,
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Crombie's performance and other factors.

## SUBSEQUENT EVENTS

(a) On January 21, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2019 to and including, January 31, 2019. The distributions were paid on February 15, 2019, to Unitholders of record as of January 31, 2019.

(b) On February 19, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2019 to and including February 28, 2019. The distributions will be paid on March 15, 2019, to Unitholders of record as of February 28, 2019.

(c) On February 5, 2019, Crombie disposed of a 50% interest in seven retail properties totalling 296,376 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $41,600.

(d) Since December 31, 2018, Crombie also disposed of a 100% interest in three retail properties totalling 182,800 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $64,800.

## 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 December 31, 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, 2018, 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 year.

**QUARTERLY INFORMATION**

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars, except per unit amounts)* | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 | Sep. 30 2017 | Jun. 30 2017 | Mar. 31, 2017 |
| Property revenue | $ 104,296 | $ 100,505 | $ 104,143 | $ 105,705 | $ 105,667 | $ 102,424 | $ 101,591 | $ 102,131 |
| Property operating expenses | 30,817 | 27,660 | 29,925 | 32,904 | 31,622 | 28,259 | 29,793 | 31,395 |
| Property net operating income | 73,479 | 72,845 | 74,218 | 72,801 | 74,045 | 74,165 | 71,798 | 70,736 |
| Gain on disposal | 4,580 | 100 | 33,502 | 11,841 | 2,474 | — | — | — |
| Expenses: | | | | | | | | |
| General and administrative | (5,184) | (4,925) | (4,626) | (4,491) | (4,246) | (4,675) | (5,160) | (4,996) |
| Finance costs - operations | (25,968) | (26,573) | (26,381) | (26,709) | (26,681) | (26,244) | (26,892) | (25,960) |
| Income (loss) from equity accounted investments | 111 | 69 | 39 | 35 | (7) | 41 | 27 | — |
| Depreciation and amortization | (19,906) | (28,696) | (19,719) | (28,032) | (20,619) | (21,966) | (19,826) | (19,796) |
| Impairment | (7,000) | — | (8,000) | — | — | — | — | — |
| Operating income before taxes | 20,112 | 12,820 | 49,033 | 25,445 | 24,966 | 21,321 | 19,947 | 19,984 |
| Taxes - current | (1) | (2) | — | — | 2,082 | — | (4) | — |
| Taxes - deferred | — | — | — | — | — | — | 76,400 | (1,000) |
| Operating income | 20,111 | 12,818 | 49,033 | 25,445 | 27,048 | 21,321 | 96,343 | 18,984 |
| Finance costs - distributions to Unitholders | (33,724) | (33,711) | (33,688) | (33,606) | (33,511) | (33,385) | (33,248) | (33,115) |
| Finance income (costs) - change in fair value of financial instruments | 197 | (40) | (50) | 295 | 18 | 25 | 1 | 101 |
| Increase (decrease) in net assets attributable to Unitholders | $ (13,416) | $ (20,933) | $ 15,295 | $ (7,866) | $ (6,445) | $ (12,039) | $ 63,096 | $ (14,030) |
| Operating income per unit - Basic | $ 0.13 | $ 0.08 | $ 0.32 | $ 0.17 | $ 0.18 | $ 0.14 | $ 0.65 | $ 0.13 |
| Operating income per unit - Diluted | $ 0.13 | $ 0.08 | $ 0.32 | $ 0.17 | $ 0.18 | $ 0.14 | $ 0.63 | $ 0.13 |

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In thousands of CAD dollars, except per unit amounts)* | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 | Sep. 30, 2017 | Jun. 30, 2017 | Mar. 31, 2017 |
| Distributions | | | | | | | | |
| Distributions | $ 33,724 | $ 33,711 | $ 33,688 | $ 33,606 | $ 33,511 | $ 33,385 | $ 33,248 | $ 33,115 |
| Per unit | $ 0.22 | $ 0.22 | $ 0.22 | $ 0.22 | $ 0.22 | $ 0.22 | $ 0.22 | $ 0.22 |
| AFFO | | | | | | | | |
| Basic | $ 39,771 | $ 37,867 | $ 39,492 | $ 38,664 | $ 39,481 | $ 38,713 | $ 35,532 | $ 36,132 |
| Per unit - Basic | $ 0.26 | $ 0.25 | $ 0.26 | $ 0.26 | $ 0.26 | $ 0.26 | $ 0.24 | $ 0.24 |
| Per unit - Diluted[(1)] | $ 0.26 | $ 0.25 | $ 0.26 | $ 0.26 | $ 0.26 | $ 0.26 | $ 0.24 | $ 0.24 |
| Payout ratio | 84.8% | 89.0% | 85.3% | 86.9% | 84.9% | 86.2% | 93.6% | 91.7% |
| FFO | | | | | | | | |
| Basic | $ 46,490 | $ 45,355 | $ 46,325 | $ 45,864 | $ 47,237 | $ 46,652 | $ 43,335 | $ 43,928 |
| Per unit - Basic | $ 0.31 | $ 0.30 | $ 0.31 | $ 0.30 | $ 0.31 | $ 0.31 | $ 0.29 | $ 0.30 |
| Per unit - Diluted[(1)] | $ 0.31 | $ 0.30 | $ 0.30 | $ 0.30 | $ 0.31 | $ 0.31 | $ 0.29 | $ 0.29 |
| Payout ratio | 72.5% | 74.3% | 72.7% | 73.3% | 70.9% | 71.6% | 76.7% | 75.4% |

[(1)] 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:
    - December 31, 2018 - acquisition of one retail property and an addition to an existing retail property for a total purchase price of $14,900 and disposition of three retail properties for proceeds of $26,600;
    - September 30, 2018 - acquisition of an addition to an existing retail property for a total purchase price of $3,735 and disposition of one retail property for proceeds of $39,682;
    - 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; and,
    - March 31, 2017 - acquisition of one retail property for a total purchase price of $8,320.
- 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 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: February 27, 2019

New Glasgow, Nova Scotia, Canada

# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED

# DECEMBER 31, 2018

# Management's Statement of Responsibility for Financial Reporting

The management of Crombie Real Estate Investment Trust ("Crombie") is responsible for the preparation and fair presentation of the accompanying annual consolidated financial statements and Management's Discussion and Analysis ("MD&A"). The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The annual consolidated financial statements and information in the MD&A include amounts based on best estimates and judgments by management of the expected effects of current events and transactions. In preparing this financial information, we make determinations about the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may vary materially from our present assessment of this information as future events and circumstances may not occur as expected.

In meeting our responsibility for the fair presentation of the annual consolidated financial statements and MD&A and for the accounting systems from which they are derived, management has established internal controls designed to ensure that our financial records are reliable for preparing consolidated financial statements and other financial information, transactions are properly authorized and recorded, and assets are safeguarded against unauthorized use or disposition.

As at December 31, 2018, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision, the design and operation of our internal controls over financial reporting and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee. This committee reviews Crombie's annual consolidated financial statements and MD&A with both management and the independent auditor before such statements are approved by the Board of Trustees. The Audit Committee also recommends the appointment of independent external auditors to the Unitholders. The Audit Committee meets regularly with senior management and the independent auditor to discuss internal controls, audit activities and financial reporting results. The independent auditor has full and free access to, and meets regularly with, the Audit Committee to discuss their audits and related matters.

*signed [Donald E. Clow]*
Donald E. Clow, FCPA, FCA
President and
Chief Executive Officer
February 27, 2019

*signed [Glenn R. Hynes]*
Glenn R. Hynes, FCPA, FCA
Executive Vice President,
Chief Financial Officer and Secretary
February 27, 2019

# *Independent auditor's report*

To the Unitholders of Crombie Real Estate Investment Trust

## *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**What we have audited**
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in net assets attributable to unitholders for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

## *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**
We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## *Other information*

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

*PricewaterhouseCoopers LLP*
*Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1*
*T: +1 902 491 7400, F: +1 902 422 1166*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

## *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

(signed) *"PricewaterhouseCoopers LLP"*

**Chartered Professional Accountants, Licensed Public Accountants**
Halifax, Nova Scotia
February 27, 2019

**CROMBIE REAL ESTATE INVESTMENT TRUST**
**Consolidated Balance Sheets**
*(in thousands of CAD dollars)*

| | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment properties | 3 | **$ 3,759,643** | $ 3,826,961 |
| Investment in joint ventures | 4 | **39,485** | 2,602 |
| Other assets | 5 | **248,818** | 225,908 |
| | | **4,047,946** | 4,055,471 |
| **Current assets** | | | |
| Other assets | 5 | **23,128** | 31,383 |
| **Total Assets** | | **4,071,074** | 4,086,854 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Fixed rate mortgages | 6 | **1,421,062** | 1,632,431 |
| Credit facilities | 6 | **178,843** | 53,168 |
| Senior unsecured notes | 7 | **698,716** | 449,320 |
| Convertible debentures | 8 | **—** | 73,164 |
| Employee future benefits obligation | 9 | **8,824** | 8,849 |
| Trade and other payables | 10 | **11,488** | 9,558 |
| | | **2,318,933** | 2,226,490 |
| **Current liabilities** | | | |
| Fixed rate mortgages | 6 | **180,522** | 118,665 |
| Senior unsecured notes | 7 | **—** | 175,000 |
| Employee future benefits obligation | 9 | **296** | 282 |
| Trade and other payables | 10 | **128,483** | 109,162 |
| | | **309,301** | 403,109 |
| Total liabilities excluding net assets attributable to Unitholders | | **2,628,234** | 2,629,599 |
| Net assets attributable to Unitholders | | **$ 1,442,840** | $ 1,457,255 |
| **Net assets attributable to Unitholders represented by:** | | | |
| Crombie REIT Unitholders | | **$ 864,779** | $ 873,478 |
| Special Voting Units and Class B Limited Partnership Unitholders | | **578,061** | 583,777 |
| | | **$ 1,442,840** | $ 1,457,255 |
| Commitments, contingencies and guarantees | 21 | | |
| Subsequent events | 22 | | |

Approved on behalf of the Board of Trustees

signed (John Eby)

**John Eby**

Lead Trustee

signed (J. Michael Knowlton)

**J. Michael Knowlton**

Audit Committee Chair

*See accompanying notes to the consolidated financial statements.*

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

| | Note | Year ended December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Property revenue | 11 | **$ 414,649** | $ 411,813 |
| Property operating expenses | | **121,306** | 121,069 |
| **Net property income** | | **293,343** | 290,744 |
| Gain on disposal of investment properties | 3 | **50,023** | 2,474 |
| Impairment of investment properties | 3 | **(15,000)** | — |
| Depreciation of investment properties | 3 | **(88,818)** | (74,845) |
| Amortization of intangible assets | 3 | **(6,701)** | (6,654) |
| Amortization of deferred leasing costs | 3 | **(792)** | (708) |
| Depreciation of fixtures and computer equipment | 5 | **(42)** | — |
| General and administrative expenses | 13 | **(19,226)** | (19,077) |
| Finance costs - operations | 14 | **(105,631)** | (105,777) |
| Income from equity accounted investments | 4 | **254** | 61 |
| **Operating income before taxes** | | **107,410** | 86,218 |
| Taxes - current | 15 | **(3)** | 2,078 |
| Taxes - deferred | 15 | **—** | 75,400 |
| **Operating income attributable to Unitholders** | | **107,407** | 163,696 |
| **Finance costs - other** | | | |
| Distributions to Unitholders | | **(134,729)** | (133,259) |
| Change in fair value of financial instruments | 13 | **402** | 145 |
| | | **(134,327)** | (133,114) |
| **Increase (decrease) in net assets attributable to Unitholders** | | **(26,920)** | 30,582 |
| **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 | | **2,263** | 2,354 |
| Net change in derivatives designated as cash flow hedges | | **(364)** | 3,204 |
| Items that will not be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders: | | | |
| Unamortized actuarial gains (losses) in employee future benefits obligation | | **266** | (479) |
| Other comprehensive income | | **2,165** | 5,079 |
| **Comprehensive income (loss)** | | **$ (24,755)** | $ 35,661 |

*See accompanying notes to the consolidated financial statements.*

**CROMBIE REAL ESTATE INVESTMENT TRUST**
**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 | |
|---|---|---|---|---|---|---|
| | | | | | REIT Units | Class B LP Units |
| | (Note 16) | | | | | |
| Balance, January 1, 2018 | $ 1,746,139 | $ (285,388) | $ (3,496) | $ 1,457,255 | $ 873,478 | $ 583,777 |
| Adjustments related to EUPP | 61 | 21 | — | 82 | 82 | — |
| Statements of comprehensive income (loss) | — | (26,920) | 2,165 | (24,755) | (14,841) | (9,914) |
| Units issued under Distribution Reinvestment Plan ("DRIP") | 10,100 | — | — | 10,100 | 5,902 | 4,198 |
| Units issued under unit based compensation plan | 158 | — | — | 158 | 158 | — |
| **Balance, December 31, 2018** | **$ 1,756,458** | **$ (312,287)** | **$ (1,331)** | **$ 1,442,840** | **$ 864,779** | **$ 578,061** |

| | REIT Units, Special Voting Units and Class B LP Units | Net Assets (Liabilities) Attributable to Unitholders | Accumulated Other Comprehensive Income (Loss) | Total | Attributable to | |
|---|---|---|---|---|---|---|
| | | | | | REIT Units | Class B LP Units |
| | (Note 16) | | | | | |
| Balance, January 1, 2017 | $ 1,714,724 | $ (316,003) | $ (8,575) | $ 1,390,146 | $ 834,203 | $ 555,943 |
| Adjustments related to EUPP | 62 | 33 | — | 95 | 95 | — |
| Statements of comprehensive income | — | 30,582 | 5,079 | 35,661 | 20,844 | 14,817 |
| Units issued under DRIP | 31,353 | — | — | 31,353 | 18,336 | 13,017 |
| **Balance, December 31, 2017** | $ 1,746,139 | $ (285,388) | $ (3,496) | $ 1,457,255 | $ 873,478 | $ 583,777 |

*See accompanying notes to the consolidated financial statements.*

| | Note | Year ended December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Cash flows provided by (used in)** | | | |
| **Operating Activities** | | | |
| Increase (decrease) in net assets attributable to Unitholders | | **$ (26,920)** | $ 30,582 |
| Items not affecting operating cash | 17 | **79,647** | 39,159 |
| Change in other non-cash operating items | 17 | **1,546** | 19,335 |
| Income taxes paid | | **(3)** | 2,069 |
| Cash provided by operating activities | | **54,270** | 91,145 |
| **Financing Activities** | | | |
| Issue of mortgages | | **—** | 192,783 |
| Deferred financing charges - investment property debt | | **(742)** | (3,802) |
| Repayment of mortgages - principal | | **(53,145)** | (52,479) |
| Repayment of mortgages - maturity | | **(64,713)** | (50,379) |
| Advance (repayment) of floating rate credit facilities | | **125,675** | (167,206) |
| Issue of senior unsecured notes | | **250,152** | 226,413 |
| Deferred financing charges - senior unsecured notes | | **(1,169)** | (999) |
| Redemption of senior unsecured notes | | **(175,000)** | — |
| Redemption of convertible debentures | | **(74,400)** | (60,000) |
| Amortization of fair value debt adjustment | | **(482)** | (996) |
| Acquisition of fair value debt adjustment | | **(160)** | — |
| Recognition of interest rate subsidy | | **(299)** | (328) |
| Repayment of EUPP loans receivable | | **61** | 62 |
| Collection of (advances on) long-term receivables | | **(5,952)** | (421) |
| Cash provided by (used in) financing activities | | **(174)** | 82,648 |
| **Investing Activities** | | | |
| Acquisition of investment properties and intangible assets | | **(118,184)** | (119,357) |
| Additions to investment properties | | **(91,211)** | (46,800) |
| Proceeds on disposal of investment properties | 3 | **190,013** | 15,645 |
| Acquisition of interest in joint ventures | | **(10,210)** | (1,701) |
| Contributions to Joint Ventures | | **(4,020)** | — |
| Additions to fixtures and computer equipment | | **(4,248)** | (3,140) |
| Proceeds on disposal of marketable securities | | **1,252** | 1,220 |
| Additions to tenant incentives | | **(16,505)** | (18,381) |
| Additions to deferred leasing costs | | **(983)** | (1,279) |
| Cash used in investing activities | | **(54,096)** | (173,793) |
| **Net change in cash and cash equivalents** | | **—** | — |
| **Cash and cash equivalents, beginning of year** | | **—** | — |
| **Cash and cash equivalents, end of year** | | **$ —** | $ — |

*See accompanying notes to the 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 consolidated financial statements for the years ended December 31, 2018 and December 31, 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 consolidated financial statements were authorized for issue by the Board of Trustees on February 27, 2019.

## 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### (b) Basis of presentation

These consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The 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 December 31, 2018. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 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) Investment properties**

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed for impairment as described in Note 2(v).

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Amortization of intangible assets is calculated using the straight-line method over the term of the tenant lease.

Repairs and maintenance items are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the estimated useful life of the improvement.

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3 - Business Combinations; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

For asset acquisitions, the total cost is allocated to the identifiable assets and liabilities on the basis of their relative fair values on the acquisition date. Asset acquisitions do not give rise to goodwill. Fair value of such assets and liabilities is determined based on the following:

**Land** - the amount allocated to land is based on an appraisal estimate of its fair value.

**Buildings** - are recorded at the estimated fair value of the building and its components and significant parts.

**Intangible assets** - are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

**Fair value of debt** - values ascribed are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

For business combinations, the acquisition method is used wherein the components of the business combination (assets acquired, liabilities assumed, consideration transferred and any goodwill or bargain purchase) are recognized and measured. The assets acquired and liabilities assumed from the acquiree are measured at their fair value on the acquisition date.

**Change in useful life of investment properties**

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

**(f) Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand, cash in bank and guaranteed investments with a maturity less than 90 days at date of acquisition.

**(g) Assets held for sale and discontinued operations**

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets classified as held for sale are not depreciated and amortized. A property that is subsequently reclassified as held and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and their operating results are presented separately in the Consolidated Statements of Comprehensive Income (Loss). A component of Crombie includes a property type or geographic area of operations.

**(h) Employee future benefits obligation**

The cost of Crombie's pension benefits for defined contribution plans is expensed for employees in respect of the period in which they render services. The cost of defined benefit pension plans and other benefit plans is accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit obligation and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. Other factors considered for other benefit plans include assumptions regarding salary escalation, retirement ages and expected growth rate of health care costs. The fair value of any plan assets is based on current market values. The present value of the defined benefit obligation is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the obligation. The defined benefit plan and post-employment benefit plan are unfunded.

The impact of changes in plan provisions will be recognized in benefit costs on a straight-line basis over a period not exceeding the average period until the benefit becomes vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the plan, the past service cost will be recognized immediately.

In measuring its defined benefit liability, Crombie recognizes actuarial gains and losses directly to other comprehensive income (loss).

**(i) Unit based compensation plans**

**(i) Deferred Unit Plan (“DU Plan”)**

Crombie provides a voluntary DU Plan whereby eligible trustees, officers and employees (the "Participants") may elect to receive all or a portion of their eligible compensation in deferred units ("DUs"). The Board (or its designated Committee) may determine that special compensation will be provided in the form of DUs. Unless otherwise determined by the Board (or its designated Committee), DUs are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. A Participant may redeem their vested DUs in whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive Crombie REIT Units for redeemed DU’s after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date with changes in fair value recognized in the Consolidated Statements of Comprehensive Income (Loss).

**(ii) Restricted Unit Plan (“RU Plan”)**

Crombie has a RU Plan for certain eligible executives and employees ("RU Participants"), whereby the RU Participants will receive all or a portion of their annual long-term incentive plan awards in restricted units ("RUs"). The RUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible RU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value (as defined in the RU Plan) on the vesting date. No REIT Units or other securities of Crombie will be issued from treasury. Alternatively, an RU Participant may elect to convert their RUs to DUs under Crombie’s DU Plan.

**(iii) Performance Unit Plan ("PU Plan")**

Crombie has a PU Plan for certain eligible executives and employees ("PU Participants"), whereby the PU Participants may elect each year to participate in the PU Plan and receive all or a portion of their of their eligible remuneration in the form of an allocation of performance units ("PUs"). The PUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible PU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested PUs held by the PU Participant multiplied by the market value (as defined in the PU Plan) on the vesting date. No REIT Units or other securities of Crombie will be issued from treasury. Alternatively, a PU Participant may elect to convert their PUs to DUs under Crombie's DU Plan.

**(j) Distribution reinvestment plan ("DRIP")**

Crombie has a DRIP which is described in Note 16.

**(k) Revenue recognition**

**(i) Lease revenue**

Revenue earned from tenants under lease agreements includes base rent, realty tax recoveries, percentage rent, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax recoveries, and other incidental income, are recognized on an accrual basis as they become due.

**(ii) 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.

Certain lease agreements with tenants establish obligations for Crombie to incur property operating expenses and to invoice and recover these expenses. These recoveries are recognized as revenue over the period in which the service is provided and subject to collectability of the recoverable amount.

**(l) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Operating leases**

**(i) Crombie as lessor**

Crombie has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with Crombie's revenue recognition policy (Note 2(k)).

**(ii) Crombie as lessee**

Operating leases consist mainly of land leases which are expensed to property operating costs as incurred. Crombie also has equipment and vehicle leases that are expensed to general and administrative expenses as incurred.

**(m) Deferred financing charges**

Deferred financing charges consist of costs directly attributable to the issuance of debt. These charges are amortized in finance costs - operations using the effective interest method, over the term of the related debt.

**(n) Finance costs - operations**

Finance costs - operations primarily comprise interest on Crombie's borrowings. Finance costs directly attributable to the acquisition, redevelopment, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other finance costs - operations are expensed in the period in which they are incurred.

**(o) Finance costs - distributions to Unitholders**

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the trustees, Crombie has no contractual obligation to pay cash distributions to Unitholders.

**(p) Income taxes**

Crombie is taxed as a "mutual fund trust" for income tax purposes. It is the intention of Crombie, subject to approval of the trustees, to make distributions not less than the amount necessary to ensure that Crombie will not be liable to pay income tax, except for the amounts incurred in its incorporated subsidiaries.

Deferred tax assets and/or liabilities of Crombie relate to tax and accounting basis differences of all incorporated subsidiaries of Crombie. Income taxes are accounted for using the liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Deferred tax assets and/or liabilities are offset only when Crombie has a right and intention to set off tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in operations, except where they relate to items that are recognized in other comprehensive income (loss) (such as the unrealized gains and losses on cash flow hedges) or directly in change in net assets, in which case the related deferred tax is also recognized in other comprehensive income (loss) or change in net assets, respectively.

**(q) Hedges**

Crombie may use cash flow hedges to manage exposures to increases in variable interest rates. Cash flow hedges are recognized on the balance sheet at fair value with the effective portion of the hedging relationship recognized in other comprehensive income (loss). Any ineffective portion of the cash flow hedge is recognized in operating income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to operating income in the same periods in which the hedged item is recognized in operating income. Fair value hedges and the related hedged items are recognized on the balance sheet at fair value with any changes in fair value recognized in operating income. To the extent the fair value hedge is effective, the changes in the fair value of the hedge and the hedged item will offset each other.

Crombie assesses on an ongoing basis whether any existing derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

**(r) Comprehensive income (loss)**

Comprehensive income (loss) is the change in net assets attributable to Unitholders during a period from transactions and other events and circumstances from non-Unitholder sources. Crombie reports a consolidated statement of comprehensive income (loss), comprising changes in net assets attributable to Unitholders and other comprehensive income (loss) for the year. Accumulated other comprehensive income (loss), has been included in the Consolidated Statements of Changes in Net Assets Attributable to Unitholders.

**(s) Provisions**

Provisions are recognized when: Crombie has a present obligation (legal or constructive) as a result of a past event; it is probable that Crombie will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Crombie's best estimate at the reporting date.

Environmental liabilities are recognized when Crombie has an obligation relating to site closure or rehabilitation. The extent of the work required and the associated costs are dependent on the requirements of the relevant authorities and Crombie's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognized at the time of occurrence and when Crombie has a reliable estimate of the obligation. Changes in the provision are recognized in the period of the change.

Crombie's provisions are immaterial and are included in trade and other payables.

**(t) 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.

**(u) Fair value measurement**

The fair value of financial instruments 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Crombie.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Crombie uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of any interest rate swap is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturities.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the highest and best use of non-financial assets Crombie takes into account the following:

- use of the asset that is physically possible - Crombie assesses the physical characteristics of the asset that market participants would take into account when pricing the asset;
- use that is legally permissible - Crombie assesses any legal restrictions on the use of the asset that market participants would take into account when pricing the asset; and
- use that is financially feasible - Crombie assesses whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows to produce an investment return that market participants would require from an investment in that asset put to that use.

**(v) Impairment of long-lived tangible and definite life intangible assets**

Long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

**(w) Net assets attributable to Unitholders**

**(i) Balance Sheet presentation**

In accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. Crombie's REIT Units and Class B LP Units with attached Special Voting Units ("SVU") are both puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, Crombie's units do not meet the exception requirements. Therefore, Crombie has no instrument qualifying for equity classification on its Balance Sheet pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

**(ii) Balance Sheet measurement**

REIT Units and Class B LP Units with attached SVUs are carried on the Balance Sheet at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of Crombie.

**(iii) Statement of Comprehensive Income (Loss) presentation**

As a result of the classification of all units as financial liabilities, the Statement of Comprehensive Income (Loss) recognizes distributions to Unitholders as a finance cost. In addition, terminology such as net income has been replaced by Increase (decrease) in net assets attributable to Unitholders to reflect the absence of an equity component on the Balance Sheet.

**(iv) Presentation of per unit measures**

As a result of the classification of all units as financial liabilities, Crombie has no equity instrument; therefore, in accordance with IAS 33 Earnings per Share, there is no denominator for purposes of calculation of per unit measures.

**(v) Allocation of Comprehensive income (loss)**

The components of Comprehensive income (loss) are allocated between REIT Units and Class B LP Units as follows:

- Operating income - based on the weighted average number of units outstanding during the reporting period.
- Distributions to Unitholders - based on the actual distributions paid to each separate unit class.
- Accumulated other comprehensive income (loss) - increases are allocated based on the weighted average number of units outstanding during the reporting period, decreases in previously accumulated amounts are drawn down based on the average accumulation allocation rate.

**(x) Critical judgments in applying accounting policies**

The following are the critical judgments that have been made in applying Crombie's accounting policies and that have the most significant effect on the consolidated financial statements:

**(i) Investment properties**

Crombie's accounting policies relating to investment properties are described in Note 2(e). In applying these policies, judgment is applied in determining whether certain costs are additions to the carrying amount of an investment property and whether properties acquired are considered to be asset acquisitions or business combinations. Crombie has determined that all properties acquired to date are asset acquisitions.

**(ii) Investment in joint ventures**

Crombie makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include: determining the significant relevant activities and assessing the level of influence Crombie has over such activities through agreements and contractual arrangements.

**(iii) Leases**

Crombie makes judgments in determining whether certain leases, in particular long-term ground leases where Crombie is the lessee and the property meets the definition of investment property, are operating or finance leases. Crombie determined that all long-term ground leases where Crombie is the lessee are operating leases. All tenant leases where Crombie is a lessor have been determined to be operating leases.

**(iv) Classifications of Units as liabilities**

Crombie's accounting policies relating to the classification of Units as liabilities are described in Note 2(w). The critical judgments inherent in this policy relate to applying the criteria set out in IAS 32, "Financial Instruments: Presentation", relating to the puttable instrument exception.

**(y) Critical accounting estimates and assumptions**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

**(i) Fair value measurement**

A number of assets and liabilities included in Crombie's consolidated financial statements require measurement at, and/or disclosure of, fair value.

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 2(i), 3 and 19.

**(ii) Investment in joint arrangements**

Crombie makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include: determining the significant relevant activities and assessing the level of control or influence Crombie has over such activities through agreements and contractual arrangements; and, determining whether Crombie's rights and obligations are directly related to the assets and liabilities of the arrangement or to the net assets of the joint arrangement.

**(iii) Investment properties**

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

**(iv) Impairment of long-lived tangible and definite life intangible assets**

Long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

**(v) Investment property valuation**

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate net property income received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, is then applied to the net annual property income to arrive at the property valuation.

**(vi) Defined benefit liability**

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

**(vii) Purchase price allocation**

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition as described in Note 2(e). This allocation contains a number of estimates and underlying assumptions including, but not limited to, highest and best use and fair value of the properties, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates, tenant incentive allowances, cost recoveries and leasing costs and termination costs.

**(z) Future changes in accounting standards**

The IASB has issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the consolidated financial statements in future periods. Management is currently evaluating the impact of these future policies on its consolidated financial statements.

**(i) IFRS 16 - Leases**

In January 2016, the IASB issued IFRS 16 “Leases” which replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lessor accounting remains largely unchanged with the distinction between operating and finance leases retained.

Entities have the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. The new standard will be effective January 1, 2019 and Crombie is transitioning using the modified retrospective approach. On transition, Crombie will elect the practical expedient to not reassess prior conclusions related to contracts containing leases. In addition, Crombie will apply the recognition exemptions for all classes of assets under short term leases and all leases of low value assets on an ongoing basis.

Crombie has several investment properties located on land that is leased from third parties. Lease payments under these leases are currently expensed under property operating expenses. Under the new lease standard, Crombie will recognize a right-of-use asset which will be amortized over the lease term and interest costs will be recognized on the lease liability.

Certain of Crombie's land leases have extended lease terms which will result in a material amount being recognized on the balance sheet as a right-of-use asset and related lease obligation. The new standard is not expected to have a material impact on the comprehensive income (loss) or cash flows.

## 3) INVESTMENT PROPERTIES

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Income properties | **$ 3,693,464** | $ 3,751,262 |
| Properties under development | **66,179** | 75,699 |
| | **$ 3,759,643** | $ 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 | **33,192** | **84,167** | **6,420** | **—** | **123,779** |
| Additions | **1,361** | **78,917** | **—** | **1,545** | **81,823** |
| Dispositions | **(82,191)** | **(132,704)** | **(5,681)** | **(681)** | **(221,257)** |
| Write-off fully depreciated assets | **—** | **(24,637)** | **(208)** | **(2,876)** | **(27,721)** |
| Reclassification from properties under development | **15,959** | **19,935** | **—** | **201** | **36,095** |
| **Balance, December 31, 2018** | **1,176,745** | **2,968,216** | **121,181** | **7,010** | **4,273,152** |
| **Accumulated depreciation and amortization and impairment** | | | | | |
| Opening balance, January 1, 2018 | **2,357** | **458,973** | **63,056** | **4,785** | **529,171** |
| Depreciation and amortization | **—** | **88,818** | **6,701** | **792** | **96,311** |
| Dispositions | **—** | **(28,850)** | **(3,772)** | **(451)** | **(33,073)** |
| Impairment | **—** | **15,000** | **—** | **—** | **15,000** |
| Write-off fully depreciated assets | **—** | **(24,637)** | **(208)** | **(2,876)** | **(27,721)** |
| Balance, December 31, 2018 | **2,357** | **509,304** | **65,777** | **2,250** | **579,688** |
| **Net carrying value, December 31, 2018** | **$ 1,174,388** | **$ 2,458,912** | **$ 55,404** | **$ 4,760** | **$ 3,693,464** |

During the year ended December 31, 2018, Crombie recorded impairments totalling $15,000 on three 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 year ended December 31, 2018, Crombie commenced redevelopment of three properties which included partial demolition of the existing structures. As a result, accelerated depreciation of $17,353 related to the buildings was recognized.

| | 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** |
| Additions | **2,981** | **29,172** | **202** | **32,355** |
| Dispositions | **(5,780)** | **—** | **—** | **(5,780)** |
| Reclassification to income producing properties | **(15,959)** | **(19,935)** | **(201)** | **(36,095)** |
| **Balance, December 31, 2018** | **$ 49,967** | **$ 16,095** | **$ 117** | **$ 66,179** |

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.

During the year, Crombie reclassified completed phases of two development properties to income properties.

| | 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 $797,088 at December 31, 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** |
|---|---|---|
| **December 31, 2018** | **$ 4,776,000** | **$ 3,978,912** |
| December 31, 2017 | $ 4,944,000 | $ 4,043,196 |

Carrying value consists of the net carrying value of:

| | Note | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Income properties | 3 | **$ 3,693,464** | $ 3,751,262 |
| Properties under development | 3 | **66,179** | 75,699 |
| Accrued straight-line rent receivable | 5 | **81,689** | 72,743 |
| Tenant incentives | 5 | **137,580** | 143,492 |
| Total carrying value | | **$ 3,978,912** | $ 4,043,196 |

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2018 and 2017, respectively, based on each property's current use as a revenue generating investment property. Crombie owns several properties where the highest and best use as a development property would result in higher fair values.

The valuation techniques and significant unobservable inputs used in determining the fair value of investment properties are set out below:

(i) The capitalized net operating income method - Under this method, capitalization rates are applied to net operating income (property revenue less property operating expenses). The key assumption is the capitalization rates for each specific property. Crombie receives quarterly capitalization rate reports from external, knowledgeable property valuators. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. Management selects the appropriate rate for each property from the range provided. Crombie generally employs this method to determine fair value.

(ii)The discounted cash flow method - Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the lease or leases for that specific property and assumptions as to renewal and new leasing activity. The key assumptions are the discount rate applied over the initial term of the lease, as well as lease renewals and new leasing activity. Crombie employs this method when the capitalized net operating income method indicates a risk of impairment or when a property is, or will be, undergoing redevelopment.

(iii) External appraisals - Crombie has external, independent appraisals performed on all properties on a rotational basis over a maximum period of four years.

As at December 31, 2018, all properties have been subjected to external, independent appraisal over the past four years.

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 |
| **December 31, 2018** | **6.10%** | **$ (186,000)** | **$ 203,000** |
| 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 | — |
| August 16, 2018 [3] | Joint venture | (1) | (30,000) | (39,682) | — |
| September 28, 2018 [1] | Related party | — | 10,000 | 3,735 | — |
| December 5, 2018 | Third party | 1 | 40,000 | 9,300 | 5,595 |
| December 13, 2018 [1] | Third party | — | 5,000 | 5,600 | — |
| December 18, 2018 | Third parties | (3) | (51,000) | (26,600) | — |
| | | | **(304,000)** | **$ (134,843)** | **$ 5,595** |

[1] Includes additions to existing retail properties.
[2] Represents disposition of 50% interest in a portfolio of properties.
[3] Represents disposition of property to joint venture.

All the dispositions in 2018, excluding the August 16, 2018 transaction, were transacted with third parties. The property disposed on August 16, 2018 was sold to a joint venture Partnership in which Crombie is a 50% partner. The properties disposed of during the year had a total fair value of $246,218 at the end of the quarter preceding the date of disposition resulting in a fair value gain of $7,870 before closing and transaction costs. Acquisitions completed on April 6, 2018, June 29, 2018 and September 28, 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 | $ — |
| July 5, 2017 | Third party | 1 | 64,000 | 14,100 | — |
| July 6, 2017 | Third party | 1 | 61,000 | 42,000 | — |
| August 14, 2017 | Third party | 1 | 52,000 | 13,207 | 8,741 |
| August 25, 2017 | Third party | 1 | 44,000 | 14,950 | 9,656 |
| September 5, 2017 | Third party | 2 | 79,000 | 16,000 | — |
| September 29, 2017 [1] | Related party | — | 31,000 | 7,671 | — |
| December 12, 2017 | Third party | (1) | (67,000) | (15,600) | — |
| | | | 314,000 | $ 100,648 | $ 18,397 |

[1] Relates to an acquisition of additional development on a pre-existing retail property.

The acquisitions on March 16, 2017 and September 29, 2017 were transacted with Empire, a related party.

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:

| | Year ended December 31, | |
|---|---|---|
| Income property acquired, net: | **2018** | 2017 |
| Land | **$ 33,192** | $ 20,981 |
| Buildings | **84,167** | 93,298 |
| Intangibles | **6,420** | 6,832 |
| Fair value debt adjustment on assumed mortgages | **160** | (436) |
| Net purchase price | **123,939** | 120,675 |
| Assumed mortgages | **(5,595)** | (18,397) |
| | **$ 118,344** | $ 102,278 |

| | Year ended December 31, | |
|---|---|---|
| Investment property disposed: | **2018** | 2017 |
| Gross proceeds | **$ 260,647** | $ 16,077 |
| Selling costs | **(3,831)** | (432) |
| | **256,816** | 15,645 |
| Carrying values derecognized | | |
| Land | **(87,971)** | (4,522) |
| Buildings | **(103,854)** | (8,569) |
| Intangibles | **(1,909)** | (35) |
| Deferred leasing costs | **(230)** | — |
| Tenant Incentives | **(7,760)** | (1) |
| Accrued straight-line rent | **(2,094)** | (24) |
| Development costs | **(2,561)** | — |
| Provisions | **(414)** | (20) |
| Gain on disposal | **$ 50,023** | $ 2,474 |

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

| | Year ended December 31, | |
|---|---|---|
| | **2018** | 2017 |
| Proceeds per above | **$ 256,816** | $ 15,645 |
| Mortgages assumed | **(38,971)** | — |
| Non-cash consideration, acquisition of investment in joint venture | **(27,832)** | — |
| Cash proceeds | **$ 190,013** | $ 15,645 |

**4) INVESTMENT IN JOINT VENTURES**

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

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| 1600 Davie Limited Partnership | **50.0%** | 50.0% |
| 140 CPN Limited | **50.0%** | 50.0% |
| Bronte Village Limited Partnership | **50.0%** | —% |
| The Duke Limited Partnership | **50.0%** | —% |

On April 3, 2018 Crombie entered into a joint venture Partnership with Montreal-based Princedev Inc. As a result of the partnerships, Crombie became 50% partner in the new Le Duke mixed use development at 297 Rue Duke in Montreal, Quebec and Princedev Inc. became a 50% partner in Crombie's Oakville, Ontario Bronte Village mixed use development. The transfers of title occurred on August 16, 2018.

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

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Non-current assets | **$ 112,581** | $ 18,743 |
| Current assets | **30,043** | 16,782 |
| Non-current liabilities | **(68,166)** | (26,982) |
| Current liabilities | **(10,125)** | (3,339) |
| Net assets | **$ 64,333** | $ 5,204 |
| Crombie's investment in joint ventures | **$ 39,485** | $ 2,602 |

| | **Year ended** | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Revenue | **$ 1,184** | $ 394 |
| Property operating expenses | **(507)** | (135) |
| General and administrative expenses | **(75)** | (54) |
| Depreciation of investment properties | **(55)** | — |
| Finance costs - operations | **(39)** | (83) |
| Net income | **$ 508** | $ 122 |
| Crombie's income from equity accounted investments | **$ 254** | $ 61 |

**5) OTHER ASSETS**

| | **December 31, 2018** | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Non-current** | **Total** | Current | Non-current | Total |
| Trade receivables | **$ 8,682** | **$ —** | **$ 8,682** | $ 8,741 | $ — | $ 8,741 |
| Provision for doubtful accounts | **(345)** | **—** | **(345)** | (194) | — | (194) |
| Net trade receivables | **8,337** | **—** | **8,337** | 8,547 | — | 8,547 |
| Prepaid expenses and deposits | **11,857** | **—** | **11,857** | 18,177 | — | 18,177 |
| Fair value of interest rate swap agreements | **2,840** | **—** | **2,840** | 3,204 | — | 3,204 |
| Marketable securities | **—** | **—** | **—** | 1,285 | — | 1,285 |
| Fixtures and computer equipment [(1)] | **—** | **7,761** | **7,761** | — | 3,140 | 3,140 |
| Restricted cash | **—** | **—** | **—** | 75 | — | 75 |
| Accrued straight-line rent receivable | **—** | **81,689** | **81,689** | — | 72,743 | 72,743 |
| Tenant incentives | **—** | **137,580** | **137,580** | — | 143,492 | 143,492 |
| Capital expenditure program | **—** | **105** | **105** | — | 105 | 105 |
| Interest rate subsidy | **94** | **203** | **297** | 95 | 297 | 392 |
| Amounts receivable from related parties | **—** | **21,480** | **21,480** | — | 6,131 | 6,131 |
| | **$ 23,128** | **$ 248,818** | **$ 271,946** | $ 31,383 | $ 225,908 | $ 257,291 |

[(1)] For the year ended December 31, 2018, depreciation of fixtures and computer equipment was $42 (December 31, 2017 - nil).

Amounts due from related parties include $14,636 in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

| **Tenant Incentives** | **Cost** | **Accumulated Amortization** | **Net Carrying Value** |
|---|---|---|---|
| Balance, January 1, 2018 | **$ 211,394** | **$ 67,902** | **$ 143,492** |
| Additions | **14,723** | **—** | **14,723** |
| Amortization | **—** | **12,875** | **(12,875)** |
| Disposition | **(12,739)** | **(4,979)** | **(7,760)** |
| Write-off fully depreciated assets | **(9,128)** | **(9,128)** | **—** |
| **Balance, December 31, 2018** | **$ 204,250** | **$ 66,670** | **$ 137,580** |
| | | | |
| 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 19(a) for fair value information.

**6) INVESTMENT PROPERTY DEBT**

| | **Range** | **Weighted Average Interest Rate** | **Weighted Average Term to Maturity** | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|---|---|
| Fixed rate mortgages | **2.35 - 6.90%** | **4.30%** | **4.6 years** | **$ 1,610,640** | $ 1,762,815 |
| Floating rate revolving credit facility | | | **3.5 years** | **108,843** | 8,168 |
| Unsecured bilateral credit facility | | | **1.4 years** | **70,000** | 45,000 |
| Deferred financing charges | | | | **(9,056)** | (11,719) |
| | | | | **$ 1,780,427** | $ 1,804,264 |
| **Mortgages** | | | | | |
| Non-current | | | | **$ 1,421,062** | $ 1,632,431 |
| Current | | | | **180,522** | 118,665 |
| **Credit facilities** | | | | | |
| Non-current | | | | **178,843** | 53,168 |
| Current | | | | **—** | — |
| | | | | **$ 1,780,427** | $ 1,804,264 |

As at December 31, 2018, mortgage retirements on a calendar year basis are:

| 12 Months Ending | **Weighted average interest rates on maturing mortgages** | **Maturities** | **Principal payments** | **Total** |
|---|---|---|---|---|
| December 31, 2019 | 4.46% | $ 126,978 | $ 53,544 | $ 180,522 |
| December 31, 2020 | 4.96% | 225,241 | 46,912 | 272,153 |
| December 31, 2021 | 3.91% | 89,182 | 45,250 | 134,432 |
| December 31, 2022 | 3.92% | 194,868 | 38,829 | 233,697 |
| December 31, 2023 | 4.17% | 252,932 | 31,557 | 284,489 |
| Thereafter | 4.27% | 432,861 | 70,595 | 503,456 |
| | | $ 1,322,062 | $ 286,687 | 1,608,749 |
| Deferred financing charges | | | | (9,056) |
| Unamortized fair value debt adjustment | | | | 1,891 |
| | | | | **$ 1,601,584** |

Specific investment properties with a carrying value of $3,002,822 as at December 31, 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.

**Mortgage Activity**

| | | | Weighted Average | | | |
|---|---|---|---|---|---|---|
| For the year ended: | Type | Number of Mortgages | Rates | Terms in Years | Amortization Period in Years | Proceeds (Repayments) |
| December 31, 2018 | Assumed | 1 | 3.52% | 6.3 | 25.0 | $ 5,595 |
| | Repaid | 11 | 4.98% | — | — | (64,713) |
| | Disposition [1] | 9 | 4.27% | — | — | (38,971) |
| | | | | | | $ (98,089) |

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

| | | | Weighted Average | | | |
|---|---|---|---|---|---|---|
| For the year ended: | Type | Number of Mortgages | Rates | Terms in Years | Amortization Period in Years | Proceeds (Repayments) |
| December 31, 2017 | New | 6 | 3.43% | 8.1 | 25.0 | $ 192,783 |
| | Assumed | 3 | 3.81% | 6.8 | 25.0 | 18,397 |
| | Repaid | 8 | 5.14% | — | — | (50,379) |
| | | | | | | $ 160,801 |

**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, 2022. 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 (December 31, 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, 2020. 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 19(a) for fair value information.

**7) SENIOR UNSECURED NOTES**

| | Maturity Date | Interest Rate | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|---|
| Series A | October 31, 2018 | 3.986% | **$ —** | $ 175,000 |
| Series B | June 1, 2021 | 3.962% | **250,000** | 175,000 |
| Series C | February 10, 2020 | 2.775% | **125,000** | 125,000 |
| Series D | November 21, 2022 | 4.066% | **150,000** | 150,000 |
| Series E | January 31, 2025 | 4.800% | **175,000** | — |
| Unamortized Series B issue premium | | | **1,068** | 1,323 |
| Deferred financing charges | | | **(2,352)** | (2,003) |
| | | | **$ 698,716** | $ 624,320 |

| 12 Months Ending | Series B | Series C | Series D | Series E | Total |
|---|---|---|---|---|---|
| December 31, 2019 | $ — | $ — | $ — | $ — | $ — |
| December 31, 2020 | — | 125,000 | — | — | 125,000 |
| December 31, 2021 | 250,000 | — | — | — | 250,000 |
| December 31, 2022 | — | — | 150,000 | — | 150,000 |
| December 31, 2023 | — | — | — | — | — |
| Thereafter | — | — | — | 175,000 | 175,000 |
| | $ 250,000 | $ 125,000 | $ 150,000 | $ 175,000 | 700,000 |
| Unamortized Series B issue premium | | | | | 1,068 |
| Deferred financing charges | | | | | (2,352) |
| | | | | | $ 698,716 |

On August 31, 2018 Crombie issued, on a private placement basis, an additional $75,000 Series B Notes (senior unsecured) maturing June 1, 2021. The proceeds were used to fund the redemption of the Series E Convertible Debentures. The Additional Notes were priced with an effective yield to maturity of 3.882% and sold at a price of $1,002.02 per $1,000.00 principal amount plus accrued interest. Interest is payable in equal semi-annual installments in arrears on June 1 and December 1.

On October 31, 2018 Crombie issued, on a private placement basis, $175,000 Series E Notes (senior unsecured) maturing January 31, 2025. The proceeds were used to fund the repayment of the Series A Notes. The notes were priced with an effective yield to maturity of 4.802% and sold at a price of $999.96 per $1,000.00 principal amount. Interest is payable in equal semi-annual installments on January 31 and July 31.

See Note 19(a) for fair value information.

**8) CONVERTIBLE DEBENTURES**

| | Conversion Price | Maturity Date | Interest Rate | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|---|
| Series E (CRR.DB.E) | $ 17.15 | August 31, 2018 | 5.25% | **$** — | $ 74,400 |
| Deferred financing charges | | | | — | (1,236) |
| | | | | **$** — | $ 73,164 |

On August 31, 2018, Crombie exercised its right to redeem its 5.25% Series E Extendible Convertible Unsecured Subordinated Debentures originally maturing on March 31, 2021 (the "Debentures") in accordance with the terms of the supplemental trust indenture dated August 14, 2013. Upon redemption, Crombie paid to the holders of Debentures the redemption price equal to the outstanding principal amount of the Debentures 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.

See Note 19(a) for fair value information.

**9) EMPLOYEE FUTURE BENEFITS**

Crombie has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its employees.

**Defined contribution pension plans**

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) can be achieved with the combined total of employee and employer contributions and investment returns over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

**Defined benefit plans**

The retirement benefit provides pension benefits to members designated in writing by the Board of Trustees based on a formula recognizing length of service and final average earnings. The annual pension payable at age 65 is equal to 2% of the final average base earnings multiplied by years of credited service (to a maximum of 30 years), offset by the deemed retirement income provided under the defined contribution pension plan and deferred profit sharing plan. For the purpose of calculating the deemed retirement income provided under the defined contribution pension plan and deferred profit sharing plan, the assumptions stipulated in the SERP plan text are used, including an assumed annuity conversion

discount rate of 7.0%. The final average earnings are 12 times the average of the 60 highest months of eligible earnings. Employee contributions, if required, pay for part of the cost of the benefit, and the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation. Crombie's defined benefit plans are unfunded.

Once participants attain age 55 and 5 years of continuous service, they can retire. The total pension payable is reduced by 5/12% for each month by which the early retirement precedes age 60 (62 for a member who was designated as a member on or after June 25, 2009). The normal form of pension payment is a 60% joint and survivor pension.

The post-employment benefits program offered to Crombie employees and retirees in Canada is an open plan that provides life and medical benefits for grandfathered employees and employees retired prior to May 1, 2011 as well as critical illness coverage for other employees. Full-time employees must be over age 55 to be eligible for the post-employment benefits program.

The total defined benefit cost related to pension plans and post-employment benefit plans for the year ended December 31, 2018 was $551 (year ended December 31, 2017 - $541).

The plan typically exposes Crombie to actuarial risks such as: interest rate risk, mortality risk and salary risk.

(i) Interest rate risk - The present value of the defined benefit liability is calculated using discount rates that reflect the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase Crombie's defined benefit liability.

(ii) Mortality risk - The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iii) Salary risk - The present value of the defined benefit plan liability is calculated by reference to the anticipated future salary of the plan participants. As such, an increase in the salary of plan participants over that anticipated will increase the plan's liability.

| | Most recent valuation date | Next required valuation date |
|---|---|---|
| Senior Management Pension Plan | December 31, 2018 | December 31, 2019 |
| Post-Employment Benefit Plans | January 1, 2016 | December 31, 2019 |

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and pension costs are as follows:

| | **December 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Senior Management Pension Plan** | **Post-Employment Benefit Plans** | Senior Management Pension Plan | Post-Employment Benefit Plans |
| Discount rate - accrued benefit obligation | **3.60%** | **3.70%** | 3.40% | 3.40% |
| Rate of compensation increase | **3.00%** | **N/A** | 3.00% | N/A |

For measurement purposes, a 5.25% (2017 - 5.50%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.25% annually to 5.00% in 2020.

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to year-end by reference to market yields of high quality corporate bonds that have a maturity approximating the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost for all active members.

Crombie uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

Information about Crombie's defined benefit plans are as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | **Senior Management Pension Plan** | **Post-Employment Benefit Plans** | Senior Management Pension Plan | Post-Employment Benefit Plans |
| Accrued benefit obligation | | | | |
| Balance, beginning of year | **$ 4,831** | **$ 4,299** | $ 4,533 | $ 3,859 |
| Current service cost | **200** | **38** | 191 | 33 |
| Interest cost | **168** | **146** | 173 | 144 |
| Actuarial losses (gains) | **(81)** | **(185)** | 134 | 345 |
| Benefits paid | **(200)** | **(96)** | (200) | (82) |
| Balance, end of year | **4,918** | **4,202** | 4,831 | 4,299 |
| Plan Assets | | | | |
| Fair value, beginning of year | **—** | **—** | — | — |
| Employer contributions | **200** | **96** | 200 | 82 |
| Benefits paid | **(200)** | **(96)** | (200) | (82) |
| Fair value, end of year | **—** | **—** | **—** | **—** |
| Funded status - deficit | **4,918** | **4,202** | 4,831 | 4,299 |
| Current portion | **200** | **96** | 200 | 82 |
| Non-current portion | **4,718** | **4,106** | 4,631 | 4,218 |
| Accrued benefit obligation recorded as a liability | **$ 4,918** | **$ 4,202** | $ 4,831 | $ 4,300 |
| Net expense | | | | |
| Current service cost | **$ 200** | **$ 38** | $ 191 | $ 33 |
| Interest cost | **168** | **146** | 173 | 144 |
| Net expense | **$ 368** | **$ 184** | $ 364 | $ 177 |

The table below outlines the sensitivity of the fiscal 2018 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

| | | Senior Management Pension Plan | | Post-Employment Benefit Plans | |
|---|---|---|---|---|---|
| | | Benefit Obligations | Benefit Cost[1] | Benefit Obligations | Benefit Cost[1] |
| Discount Rate | | 3.60% | 3.60% | 3.70% | 3.70% |
| Impact of: | 1% increase | $ (557) | $ (7) | $ (544) | $ 10 |
| | 1% decrease | $ 677 | $ 7 | $ 667 | $ (16) |
| Growth rate of health costs[2] | | | | 5.25% | 5.25% |
| Impact of: | 1% increase | | | $ 624 | $ 31 |
| | 1% decrease | | | $ (514) | $ (25) |

(1) Reflects the impact on the current service costs, the interest cost and the expected return on assets.
(2) Gradually decreasing to 5.0% in 2020 and remaining at that level thereafter.

For the year ended December 31, 2018, the net defined contribution pension plans expense was $873 (year ended December 31, 2017 - $800).

## 10) TRADE AND OTHER PAYABLES

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Non-current** | **Total** | Current | Non-current | Total |
| Tenant incentives and capital expenditures | **$ 60,549** | **$ —** | **$ 60,549** | $ 40,317 | $ — | $ 40,317 |
| Property operating costs | **30,872** | **—** | **30,872** | 38,300 | — | 38,300 |
| Prepaid rents | **8,555** | **—** | **8,555** | 7,205 | — | 7,205 |
| Finance costs on investment property debt, notes and debentures | **9,561** | **—** | **9,561** | 10,629 | — | 10,629 |
| Amounts payable to related party | **6,217** | **—** | **6,217** | — | — | — |
| Distributions payable | **11,243** | **—** | **11,243** | 11,182 | — | 11,182 |
| Unit based compensation plans | **1,355** | **7,056** | **8,411** | 1,351 | 4,978 | 6,329 |
| Deferred revenue | **131** | **4,432** | **4,563** | 178 | 4,580 | 4,758 |
| | **$ 128,483** | **$ 11,488** | **$ 139,971** | $ 109,162 | $ 9,558 | $ 118,720 |

**Unit based compensation plans**

(i) **Deferred Unit Plan ("DU")**

Crombie has a DU Plan available to eligible Participants, which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie's Board of Trustees (the "Board") or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of DUs. Unless otherwise determined by the Board or HRC, DUs granted under the DU Plan are fully vested at the time they are awarded. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above and the value of the additional DUs credited is expensed to general and administrative expenses on allocation. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive Crombie REIT Units after deducting applicable withholding taxes.

(ii) **Restricted Unit Plan ("RU")**

Crombie has a RU Plan available to eligible RU Participants, which is designed to: promote a greater alignment of interests between the specific employees of Crombie and its Unitholders; and assist Crombie in attracting, retaining and rewarding specific employees. RU Participants will receive their long-term incentive plan awards in RUs. The RUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the RU term. The RUs are subject to vesting conditions including continuing employment. The number of RUs which fully vest is determined by: (a) the dollar amount of the award divided by the market value of a REIT Unit on the award grant date, plus (b) deemed distributions on RUs during the vesting period at a rate equivalent to the number of REIT Units that would have been issued had the vested RUs been treated as a REIT Unit. The value of these additional RUs from deemed distributions are expensed to general and administrative expenses at the time of allocation. On the vesting date, each participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, as determined by the market value of a REIT Unit. Alternatively, a RU Participant who is an eligible employee on the vesting date may elect to convert their vested RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury as settlement of any obligation under the RU Plan.

(iii) **Performance Unit Plan ("PU")**

Crombie introduced a PU Plan in 2017. The PU Plan, in conjunction with the RU Plan, is designed to: promote a greater alignment of interests between the executives and employees of Crombie and/or its subsidiaries and the holders of REIT Units; and assist Crombie in attracting, retaining and rewarding key executives. Eligible employees may elect each calendar year to participate in the PU Plan and receive all, or if permitted by the HRC, a portion at the participation level of their choice, of their eligible remuneration in the form of an allocation of PUs. The PUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the PUs term. The PUs are subject to vesting conditions including continuing employment. The number of PUs which vest for each participant shall be determined by (a) multiplying the number of PUs granted under the award by an adjustment factor applicable to the performance level achieved, and (b) adding the number

of PUs or fractions thereof that would be credited to such participant upon the payment of distributions by Crombie on the REIT Units, based on the number of additional REIT Units a participant would have received had the vested PUs been treated as REIT Units under a distribution reinvestment plan during the PU Term. Alternatively, a PU Participant who is an eligible employee on the vesting date may elect to convert their vested PUs to DUs under Crombie's DU Plan. A PU is not considered to be a REIT Unit or entitle any participant to exercise voting rights or any other rights or entitlements associated with a REIT Unit.

**Deferred Revenue**

During 2014, Crombie completed a sale-leaseback of the land component of an investment property. The proceeds received in excess of fair value of the land have been deferred and is being recognized as a reduction in property operating expenses over the term of the land lease. In addition, Crombie received a prepayment, from a related party, of their future obligation under a land sub-lease. This prepayment has also been deferred and is being recognized as a reduction in property operating expenses over the term of the land lease.

## 11) PROPERTY REVENUE

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| **Operating lease revenue** | | |
| Rental revenue contractually due from tenants [(1)] | **$ 359,878** | $ 353,804 |
| Contingent rental revenue | **2,064** | 1,750 |
| Straight-line rent recognition | **11,040** | 13,542 |
| Tenant incentive amortization | **(12,875)** | (12,768) |
| Lease termination income | **710** | 1,258 |
| **Revenue from Contracts with Customers** | | |
| Common area cost recoveries | **48,425** | 48,113 |
| Parking revenue | **5,407** | 6,114 |
| | **$ 414,649** | $ 411,813 |

[(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:

| | Year ended | | | |
|---|---|---|---|---|
| | **December 31, 2018** | | December 31, 2017 | |
| | **Revenue** | **Percentage** | Revenue | Percentage |
| Sobeys Inc. | **$ 209,814** | **50.6%** | $ 202,593 | 49.2% |

## 12) OPERATING LEASES

**Crombie as a Lessor**

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2018, is as follows:

| | Year Ending December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **Thereafter** | **Total** |
| Future minimum rental income | $ 289,391 | $ 276,812 | $ 264,694 | $ 252,885 | $ 243,054 | $ 1,925,119 | $ 3,251,955 |

**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 six to 71 years including renewal options:

| | Year Ending December 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **Thereafter** | **Total** |
| Future minimum lease payments | $ 1,939 | $ 2,001 | $ 2,021 | $ 2,058 | $ 2,083 | $ 138,774 | $ 148,876 |

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

### (a) General and administrative expenses

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Salaries and benefits | **$ 13,111** | $ 11,175 |
| Professional and public company costs | **3,085** | 4,472 |
| Occupancy and other | **3,030** | 3,430 |
| | **$ 19,226** | $ 19,077 |

### (b) Employee benefit expense

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

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Wages and salaries | **$ 26,572** | $ 25,369 |
| Post-employment benefits | **873** | 800 |
| | **$ 27,445** | $ 26,169 |

### (c) Change in fair value of financial instruments

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Deferred Unit ("DU") Plan | **$ 402** | $ (54) |
| Marketable securities | **—** | 199 |
| Total change in fair value of financial instruments | **$ 402** | $ 145 |

## 14) FINANCE COSTS – OPERATIONS

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Fixed rate mortgages | **$ 75,454** | $ 79,484 |
| Floating rate term, revolving and demand facilities | **5,316** | 4,345 |
| Capitalized interest | **(4,104)** | (2,388) |
| Senior unsecured notes | **25,119** | 17,876 |
| Convertible debentures | **3,846** | 6,460 |
| **Finance costs - operations, expense** | **105,631** | 105,777 |
| Amortization of fair value debt adjustment and accretion income | **808** | 1,366 |
| Change in accrued finance costs | **1,068** | (244) |
| Amortization of effective swap agreements | **(2,263)** | (2,354) |
| Capitalized interest [(1)] | **4,104** | 2,388 |
| Amortization of issue premium on senior unsecured notes | **407** | 330 |
| Amortization of deferred financing charges | **(5,158)** | (4,474) |
| **Finance costs - operations, paid** | **$ 104,597** | $ 102,789 |

[(1)] As at December 31, 2018, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.72% (December 31, 2017 - 3.45%).

## 15) INCOME TAXES

The tax recovery (expense) consists of the following:

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Taxes - current | | |
| Taxes - operating income earned in corporate subsidiaries | **$ (3)** | $ 9 |
| Recovery of taxes previously paid on dispositions of investment properties | **—** | 2,069 |
| Total current taxes | **$ (3)** | $ 2,078 |
| 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 |
| Total deferred taxes | **$ —** | $ 75,400 |

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.

## 16) UNITS OUTSTANDING

| | Crombie REIT Units | | Class B LP Units and attached Special Voting Units | | Total | |
|---|---|---|---|---|---|---|
| | Number of Units | Amount | Number of Units | Amount | Number of Units | Amount |
| **Balance, January 1, 2018** | **89,115,328** | **$ 1,034,683** | **61,646,953** | **$ 711,456** | **150,762,281** | **$ 1,746,139** |
| Net change in EUPP loans receivable | **—** | **61** | **—** | **—** | **—** | **61** |
| Units issued under DRIP | **469,649** | **5,902** | **333,058** | **4,198** | **802,707** | **10,100** |
| Units issued under unit based compensation plan | **12,627** | **158** | **—** | **—** | **12,627** | **158** |
| **Balance, December 31, 2018** | **89,597,604** | **$ 1,040,804** | **61,980,011** | **$ 715,654** | **151,577,615** | **$ 1,756,458** |

| | 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 | — | 62 | — | — | — | 62 |
| Units issued under DRIP | 1,377,619 | 18,336 | 977,009 | 13,017 | 2,354,628 | 31,353 |
| Balance, December 31, 2017 | 89,115,328 | $ 1,034,683 | 61,646,953 | $ 711,456 | 150,762,281 | $ 1,746,139 |

**Crombie REIT Units**

Crombie is authorized to issue an unlimited number of REIT Units and an unlimited number of SVU and Class B LP Units. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. REIT Units are redeemable at any time on demand by the holders at a price per REIT Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie REIT Unit during the period of the last ten days during which Crombie's REIT Units traded; and (ii) an amount equal to the price of Crombie's REIT Units on the date of redemption, as defined in the Declaration of Trust.

The aggregate redemption price payable by Crombie in respect of any REIT Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitation that:

(i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees);

(ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and

(iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

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

The Declaration of Trust and the Exchange Agreement provide for the issuance of SVUs to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's REIT Units. The SVUs are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are exchanged in accordance with the Exchange Agreement, a like number of SVUs will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited ("ECLD") are indirectly exchangeable on a one-for-one basis for Crombie's REIT Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on REIT Units.

**Employee Unit Purchase Plan ("EUPP")**

Crombie previously provided for REIT Unit purchase entitlements under the EUPP for certain senior executives. As at December 31, 2014, the EUPP was replaced with an RU Plan with a specific vesting period and no employee loans.

As at December 31, 2018, there are loans receivable from executives of $1,667 under Crombie's EUPP, representing 131,417 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. The loans are being repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as payments on interest and principal. The loans are required to be repaid by December 31, 2023. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2018 was $1,645.

The compensation expense related to the EUPP for the year ended December 31, 2018 was $21 (year ended December 31, 2017 - $33).

**Distribution Reinvestment Plan ("DRIP")**

Crombie has a DRIP whereby Canadian resident REIT Unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 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, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders.

## 17) SUPPLEMENTARY CASH FLOW INFORMATION

### a) Items not affecting operating cash

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Items not affecting operating cash: | | |
| Straight-line rent recognition | **$ (11,040)** | $ (13,542) |
| Amortization of tenant incentives | **12,875** | 12,768 |
| Gain on disposal of investment properties | **(50,023)** | (2,474) |
| Impairment of investment properties | **15,000** | — |
| Depreciation of investment properties | **88,818** | 74,845 |
| Amortization of intangible assets | **6,701** | 6,654 |
| Amortization of deferred leasing costs | **792** | 708 |
| Depreciation of fixtures and computer equipment | **42** | — |
| Unit based compensation | **21** | 33 |
| Amortization of effective swap agreements | **2,263** | 2,354 |
| Amortization of deferred financing charges | **5,158** | 4,474 |
| Amortization of issue premium on senior unsecured notes | **(407)** | (330) |
| Income from equity accounted investments | **(254)** | (61) |
| Non-cash distributions to Unitholders in the form of DRIP Units | **10,100** | 31,353 |
| Taxes - deferred | **—** | (75,400) |
| Income tax expense | **3** | (2,078) |
| Change in fair value of financial instruments | **(402)** | (145) |
| | **$ 79,647** | $ 39,159 |

**b) Change in other non-cash operating items**

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Cash provided by (used in): | | |
| Trade receivables | **$ 211** | $ 1,669 |
| Prepaid expenses and deposits and other assets | **725** | 2,608 |
| Payables and other liabilities | **610** | 15,058 |
| | **$ 1,546** | $ 19,335 |

**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 |
| Repayment of mortgages | (118,018) | — | — | — | — | — | — | — | — |
| Issue of floating credit facilities | — | — | 125,675 | — | — | — | — | — | — |
| Issue of senior unsecured notes | — | — | — | — | 250,000 | 152 | — | — | — |
| Redemption of senior unsecured notes | — | — | — | — | (175,000) | — | — | — | — |
| Redemption of convertible debentures | — | — | — | — | — | — | — | (74,400) | — |
| Additions to deferred financing costs | — | 402 | — | 340 | — | — | 1,169 | — | — |
| Total financing cash flow activities | 1,644,797 | 10,690 | 178,843 | 1,771 | 700,000 | 1,475 | 3,172 | — | 1,236 |
| Assumed mortgages | 5,595 | — | — | — | — | — | — | — | — |
| Assumed by joint operation partner | (38,971) | — | — | — | — | — | — | — | — |
| Amortization of issue premium | — | — | — | — | — | (407) | — | — | — |
| Amortization of deferred financing charges | — | (2,116) | — | (986) | — | — | (820) | — | (254) |
| Write-off deferred financing charges | — | (303) | — | — | — | — | — | — | (982) |
| Amortization of fair value debt adjustment | (482) | — | — | — | — | — | — | — | — |
| Recognition of interest rate subsidy | (299) | — | — | — | — | — | — | — | — |
| Total financing non-cash activities | (34,157) | (2,419) | — | (986) | — | (407) | (820) | — | (1,236) |
| Balance, December 31, 2018 | $ 1,610,640 | $ 8,271 | $ 178,843 | $ 785 | $ 700,000 | $ 1,068 | $ 2,352 | $ — | $ — |

| | 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 | (104,182) | — | — | — | — | — | — | — | — |
| Repayment of floating credit facilities | — | — | (167,206) | — | — | — | — | — | — |
| Issue of senior unsecured notes | — | — | — | — | 225,000 | 1,413 | — | — | — |
| Redemption of convertible debentures | — | — | — | — | — | — | — | (60,000) | — |
| Additions to deferred financing costs | — | 2,674 | — | 1,128 | — | — | 999 | — | — |
| Total financing cash flow activities | 1,744,418 | 12,533 | 53,168 | 1,983 | 625,000 | 1,653 | 2,651 | 74,400 | 2,266 |
| Assumed mortgages | 18,397 | — | — | — | — | — | — | — | — |
| Amortization of issue premium | — | — | — | — | — | (330) | — | — | — |
| Amortization of deferred financing charges | — | (2,245) | — | (552) | — | — | (648) | — | (1,030) |
| Amortization of fair value debt adjustment | — | — | — | — | — | — | — | — | — |
| Recognition of interest rate subsidy | — | — | — | — | — | — | — | — | — |
| Total financing non-cash activities | 18,397 | (2,245) | — | (552) | — | (330) | (648) | — | (1,030) |
| Balance, December 31, 2017 | $1,762,815 | $ 10,288 | $ 53,168 | $ 1,431 | $625,000 | $ 1,323 | $ 2,003 | $ 74,400 | $ 1,236 |

## 18) RELATED PARTY TRANSACTIONS

As at December 31, 2018, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% 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:

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| **Property revenue** | | |
| Property revenue | **$ 214,565** | $ 208,083 |
| Head lease income | **$ 730** | $ 922 |
| Lease termination income | **$ —** | $ 100 |
| **Property operating expenses** | **$ (58)** | $ (47) |
| **General and administrative expenses** | | |
| Property management services recovered | **$ 611** | $ 645 |
| Other general and administrative expenses | **$ (203)** | $ (295) |
| **Finance costs - operations** | | |
| Interest on convertible debentures | **$ —** | $ (608) |
| Interest rate subsidy | **$ 299** | $ 335 |
| **Finance costs - distributions to Unitholders** | **$ (55,900)** | $ (55,293) |

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 year ended December 31, 2018, Crombie issued 333,058 (December 31, 2017 - 977,009) Class B LP Units to ECLD under the DRIP (Note 16).

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.

On September 28, 2018, Crombie acquired an addition to an existing retail property from Sobeys. The property addition, totalling 10,000 square feet, was acquired for $3,735, excluding closing and transaction costs.

**Key management personnel compensation**

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

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

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Salary, bonus and other short-term employee benefits | **$ 5,865** | $ 4,389 |
| Other long-term benefits | **106** | 98 |
| | **$ 5,971** | $ 4,487 |

**19) FINANCIAL INSTRUMENTS**

**a) Fair value of financial instruments**

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2018:

| **Financial assets** | Level | **December 31, 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 year ended December 31, 2018. During the year ended December 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:

| | **December 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Fair Value** | **Carrying Value** | Fair Value | Carrying Value |
| **Financial assets** | | | | |
| Long-term receivables[(1)] | **$ 21,885** | **$ 21,882** | $ 6,642 | $ 6,628 |
| Total other financial assets | **$ 21,885** | **$ 21,882** | $ 6,642 | $ 6,628 |
| **Financial liabilities** | | | | |
| Investment property debt | **$ 1,829,772** | **$ 1,789,483** | $ 1,846,029 | $ 1,815,983 |
| Senior unsecured notes | **702,893** | **700,000** | 627,120 | 625,000 |
| Convertible debentures | **—** | **—** | 76,818 | 74,400 |
| Total other financial liabilities | **$ 2,532,665** | **$ 2,489,483** | $ 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 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 year ended December 31, 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, 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 55.5% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 4.4% 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 year ended December 31, 2018, Sobeys represents 50.6% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.6% of Crombie's total property revenue.
- Over the next five years, leases on no more than 6.1% of the gross leaseable area of Crombie will expire in any one year.

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

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

| | Year ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| Provision for doubtful accounts, beginning of year | **$ 194** | $ 127 |
| Additional provision | **399** | 455 |
| Recoveries | **(85)** | (165) |
| Write-offs | **(163)** | (223) |
| Provision for doubtful accounts, end of year | **$ 345** | $ 194 |

There have been no significant changes to Crombie's credit risk.

**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 December 31, 2018

- Crombie's weighted average term to maturity of its fixed rate mortgages was 4.6 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 $108,843 at December 31, 2018;
- Crombie has an unsecured bilateral credit facility available to a maximum of $100,000 with a balance of $70,000 at December 31, 2018; and,
- Crombie has interest rate swap agreements in place on $109,295 of floating rate mortgage debt.

Crombie estimates that $2,165 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2019, based on all settled swap agreements as of December 31, 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 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** |
| **Twelve months ended December 31, 2018** | **$ 611** | **$ (611)** |
| Twelve months ended December 31, 2017 | $ 468 | $ (468) |

There have been no significant changes to Crombie's interest rate risk.

**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. As discussed in Note 20, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

| | | Twelve months ending December 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | **Contractual Cash Flows[1]** | **2019** | **2020** | **2021** | **2022** | **2023** | **Thereafter** |
| Fixed rate mortgages[2] | $ 1,878,846 | $ 247,213 | $ 323,962 | $ 180,834 | $ 270,926 | $ 312,584 | $ 543,327 |
| Senior unsecured notes | 802,610 | 27,873 | 149,788 | 268,626 | 163,823 | 8,400 | 184,100 |
| | 2,681,456 | 275,086 | 473,750 | 449,460 | 434,749 | 320,984 | 727,427 |
| Floating rate credit facilities | 196,966 | 6,877 | 75,128 | 4,079 | 110,882 | — | — |
| **Total** | $ 2,878,422 | $ 281,963 | $ 548,878 | $ 453,539 | $ 545,631 | $ 320,984 | $ 727,427 |

[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.

**20) 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:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Fixed rate mortgages | **$ 1,601,584** | $ 1,751,096 |
| Credit facilities | **178,843** | 53,168 |
| Senior unsecured notes | **698,716** | 624,320 |
| Convertible debentures | **—** | 73,164 |
| Crombie REIT Unitholders | **864,779** | 873,478 |
| SVU and Class B LP Unitholders | **578,061** | 583,777 |
| | **$ 3,921,983** | $ 3,959,003 |

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:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Fixed rate mortgages | **$ 1,610,640** | $ 1,762,815 |
| Senior unsecured notes | **700,000** | 625,000 |
| Convertible debentures | **—** | 74,400 |
| Revolving credit facility | **108,843** | 8,168 |
| Bilateral credit facility | **70,000** | 45,000 |
| Total debt outstanding | **2,489,483** | 2,515,383 |
| Less: Applicable fair value debt adjustment | **(818)** | (1,117) |
| Debt | **$ 2,488,665** | $ 2,514,266 |
| | | |
| Income properties, cost | **$ 4,273,152** | $ 4,280,433 |
| Properties under development, cost | **66,179** | 75,699 |
| Below-market lease component, cost [(1)] | **66,319** | 86,885 |
| Investment in joint ventures | **39,485** | 2,602 |
| Other assets, cost (see below) | **338,616** | 325,193 |
| Deferred financing charges | **11,408** | 14,958 |
| Interest rate subsidy | **(818)** | (1,117) |
| Gross book value | **$ 4,794,341** | $ 4,784,653 |
| Debt to gross book value - cost basis | **51.9%** | 52.5% |

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

Other assets are calculated as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Other assets per Note 5 | **$ 271,946** | $ 257,291 |
| Add: | | |
| Tenant incentive accumulated amortization | **66,670** | 67,902 |
| Other assets, cost | **$ 338,616** | $ 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 December 31, 2018, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

## 21) COMMITMENTS, CONTINGENCIES, and GUARANTEES

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 December 31, 2018, Crombie has a total of $8,698 in outstanding letters of credit related to:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Construction work being performed on investment properties | **$ 3,858** | $ 3,879 |
| Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties | **4,840** | 4,840 |
| Total outstanding letters of credit | **$ 8,698** | $ 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 six to 71 years including renewal options. For the year ended December 31, 2018 Crombie paid $1,864 in land lease payments to third party landlords (year ended December 31, 2017 - $1,685). Crombie's commitments under the land leases are disclosed in Note 12.

As at December 31, 2018, Crombie had signed construction contracts totalling $206,295 of which $165,120 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at December 31, 2018, Crombie has provided guarantees of approximately $38,245 (December 31, 2017 - $NIL) on mortgages in excess of their ownership interest in the properties. The mortgages have a weighted average term to maturity of 5.9 years.

## 22) SUBSEQUENT EVENTS

(a) On January 21, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2019 to and including, January 31, 2019. The distributions were paid on February 15, 2019, to Unitholders of record as of January 31, 2019.

(b) On February 19, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2019 to and including February 28, 2019. The distributions will be paid on March 15, 2019, to Unitholders of record as of February 28, 2019.

(c) On February 5, 2019, Crombie disposed of a 50% interest in seven retail properties totalling 296,376 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $41,600.

(d) Since December 31, 2018, Crombie also disposed of a 100% interest in three retail properties totalling 182,800 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $64,800.

## 23) SEGMENT DISCLOSURE

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

## 24) INDEMNITIES

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

## UNITHOLDERS' INFORMATION

### BOARD OF TRUSTEES

**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

**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 Stroback**
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

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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
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Email: inquiries@astfinancial.com
Website: www.astfinancial.com/ca

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

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## 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

Crombie REIT

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