

# INSPIRED BY PEOPLE.

# INSPIRING THE INDUSTRY.

## **2017 Annual Report**

COMINAR REAL ESTATE INVESTMENT TRUST

Fiscal Year Ended December 31, 2017



# MESSAGE TO UNITHOLDERS



Alban D'Amours, CM, GOQ, LH, Fellow Adm.A.

Sylvain Cossette, B.C.L.

## EMBRACING COMINAR 2.0

As an integral part of our evolution into "Cominar 2.0", we wish to highlight three important and recent achievements:

- › Stabilization of our balance sheet through our agreement to sell \$1.14 billion of non-core properties;
- › Refocusing our strategy on our core Québec markets where we enjoy competitive advantages; and
- › Revitalization of our Board of Trustees to reflect the continuously evolving real estate landscape.

In December of 2017, we announced the sale of \$1.14 billion of non-core properties to Slate Acquisitions Inc., allowing us to exit the Atlantic Provinces, Western Canada and the Greater Toronto Area. Closing is scheduled for late March, with the proceeds to be used to repay debt, including approximately \$50 million of debt incurred to fund unit buybacks under our normal course issuer bid. This is a significant and important step in stabilizing our balance sheet.

This sale will allow us to narrow our focus to our strong leadership position in Montreal and Québec City. The Montreal economy is favorable and vibrant, with strengthening fundamentals, a deep pool of educated workers, and a competitive cost environment. With over 50% of our continuing portfolio located in Montreal, we are eager to participate in the growth of Canada's second largest city as major infrastructure projects, including the REM (Réseau express métropolitain), further propel the success of this major urban centre.

Québec City provides both stability and growth opportunities, with our office and industrial portfolio occupancy at 95.5%. Like Montreal, Québec City stands to further prosper as it refines its urban development strategy and mass transit orientation. Cominar is well positioned to capture future benefits in our capital region through our leading strategically positioned portfolio.

We plan to review our portfolio looking for both further opportunities to sell assets, as well as opportunities to enhance and further intensify our properties to increase NOI and surface value. Included in our portfolio are many well-located urban assets with significant potential for value creation, including our flagship property Gare Centrale de Montréal, one of Canada's most important transportation infrastructure assets.

As an important element of "Cominar 2.0", we are also pleased to welcome three new board members with deep real estate and capital markets experience, enhancing our best in class board as we navigate a dynamic real estate landscape.

- › **Paul Campbell** joins our board March 8, with over 40 years of leading real estate experience in Canada and abroad in the office and retail segments. Mr. Campbell has held numerous board, senior leadership and advisory positions with several large real estate organizations, including Kingsett, 20 Vic, SITQ, Bentall, Revenue Properties, Maron Properties, Oxford, Campeau Corporation, Trilea and Bramalea. Mr. Campbell was awarded the NAIOP Lifetime Achievement Award for his contributions to the real estate industry.
- **René Tremblay** joins our board March 8, with over 35 years of global real estate experience, primarily in retail and strong named executive officer (NEO) experience. Former Chairman and President of Taubman Asia, the Asian arm of U.S. NYSE listed Taubman Centres, a leader in the shopping centre industry, Mr. Tremblay was responsible for driving Taubman's shopping center expansion in the Asia-Pacific region. Prior to Taubman, Mr. Tremblay was CEO of Ivanhoe Cambridge and has great familiarity with many of Cominar's core retail centres.
- **Heather Kirk**, CFA, will stand for election at our upcoming annual meeting of unitholders. She has over 20 years of capital markets experience in the Canadian REIT sector, most recently as Managing Director at BMO from 2013 to 2018, where as an equity analyst she covered several Canadian REITS including Cominar. Prior to joining BMO, Mrs. Kirk was at National Bank as an equity analyst from 2009 to 2013, and as an investment banker from 2002 to 2009, with coverage over Cominar.

In 2017 we recorded write-downs totalling \$643 million, including \$616 million of reductions to fair value of investment properties (of which \$288 million related to the sale of non-core properties to Slate) and a \$27 million de-recognition of goodwill. At year-end, our debt ratio was 57.4%, dropping to 50.1% pro forma the closing of the Slate transaction.

Our path to recovery has also required that we take difficult but necessary steps with respect to our debt and payout levels. In order to ensure that Cominar has the required financial flexibility to pursue its plan, we have significantly reduced our distributions. At the same time, we are also re-evaluating our capital plans. These measures aim to restore our financial flexibility and protect our ability to make distributions on a sustainable level, which remains at the heart of our purpose.

Much ink has been spilled on the dynamic retail sector. As we evolve our retail properties alongside retailers adapting to an omni-channel environment, we are investing in the mall experience, and introducing new retailers, features and amenities to attract shoppers. At our flagship Rockland shopping centre, innovative initiatives such as bringing a Mandy's food truck within our mall and our Womance pop up road show are examples of our dynamic retail group differentiating our offering. At the same time, we are exploring intensification and redevelopment opportunities to grow revenue streams and bring additional shopper traffic, such as office, residential and hotel uses to drive value from our portfolio of large format urban shopping centres.

Cominar has also started an important transition towards the internalization of certain construction activities and the diversification of its use of outside construction suppliers. As part of this transition, the use of Groupe Dallaire for construction services will be reduced in an orderly manner, over an approximate 12-month transition period. As part of this transition, Cominar expects to integrate certain dedicated elements of Groupe Dallaire's workforce in Montreal at no additional cost to the REIT, with a view of ensuring continuity and best addressing our needs and those of our clients in the most cost-effective manner.

In 2017, we also undertook a significant modernization of our governance practices, including executive compensation. Our Board has further enhanced Cominar's governance by resolving to update our contract of trust with current best-in-class practices, including introducing rights and remedies in favour of unitholders consistent with those available to shareholders of a corporation pursuant to the Canada Business Corporations Act. These changes are to be presented to unitholders for adoption at our upcoming annual meeting of unitholders.

We take this opportunity to thank all employees, as well as our trustees for their contribution over the last year. Our Board and management have been engaged in an intensive review of Cominar's governance and strategy. Actions and steps taken are the result of thoughtful analysis both internally and externally in consultation with financial and legal advisors and with various stakeholders including unitholders. We thank our unitholders for their constructive dialogue and input. Finally, we wish to thank Michel Dallaire and Ghislaine Laberge for their contributions to Cominar since 1998.



**Alban D'Amours**, CM, GOQ, LH, Fellow Adm.A.  
Chairman of the Board of Trustees



**Sylvain Cossette**, B.C.L.  
President and Chief Executive Officer





# STARTING A NEW CHAPTER OF OUR STORY

## INSPIRED BY THE COLLECTIVE INTELLIGENCE OF OUR PEOPLE

As a society, we are currently in the midst of a technological, social, environmental and economic upheaval that will rewrite the future and usher in radical changes in every facet of our consumption.

This is why, building on our strengths, we have been hard at work formulating our vision of the future of our industry and the real estate profession. More than a hundred people throughout the organization have been called upon to help integrate this vision into our culture and our business solutions. **We are building Cominar 2.0 and this stimulating project drives us all deeply.**

This vision involves redefining Cominar's role, raising the bar for the real estate profession and repositioning the company's brands to drive deeper engagement, secure a unique position on the market, maximize appeal and foster agility. It underpins the very concept of the role of leasable space and serves as the impetus. Behind the creation of "lifestyle spaces" for our clients throughout our portfolio – be they in shopping centres, office buildings or industrial and mixed-use properties.

In shaping the future, we will have to strive to gain a better grasp of the core needs and expectations of the clients of tomorrow. Many avenues are already beginning to open up in this regard and point to opportunities that will arise from the changes that are currently taking place. The time has come for us to accelerate the emergence of a new, more sustainable and more prosperous economic model. And Cominar is well poised to assume an influential, forwardlooking leadership position in the business world.

Accordingly, we have invested in setting up collaborative, stimulating offices in Montreal, Quebec City and Ottawa so that our employees can grow and thrive in an environ-

ment where teamwork is encouraged and valued. These spaces emblematic of the creative, contemporary and vibrant spirit that embodies Cominar's new vision. They have been redesigned from A to Z with a focus on cooperation, flexibility and technology – a clear look forward to the workplace of tomorrow. They boast a variety of different spaces, most of which are open plan, with height-adjustable, for innovation, health and productivity.

Every member of our workforce plays a unique and valuable role in putting us at the vanguard of our industry. These collaborative spaces create a sense of cohesion and boost the performance of our multidisciplinary teams. The talent and passion that guide our people are driving us forward and redefining our relationships with our clients. We are tapping into the entrepreneurial mindset that is part of our DNA to rethink how our employees, partners, clients and users interact.

The approach embraced by our teams every single day is underpinned by three pillars: agility, creativity and connection. The diversification of our office, retail and industrial/mixed-use assets gives us a strategic edge. Located in robust markets such as Montreal, Quebec City and Ottawa, they pave the way to unmatched opportunities to create value by developing and repositioning our properties in their respective markets. Our vision is built around users' experience, with a focus on providing them with compelling environments that meet their needs over the long term.

We are now starting a new chapter in the remarkable story of our company. And I have every confidence that our people will enable us to secure a favourable position in this constantly changing industry.

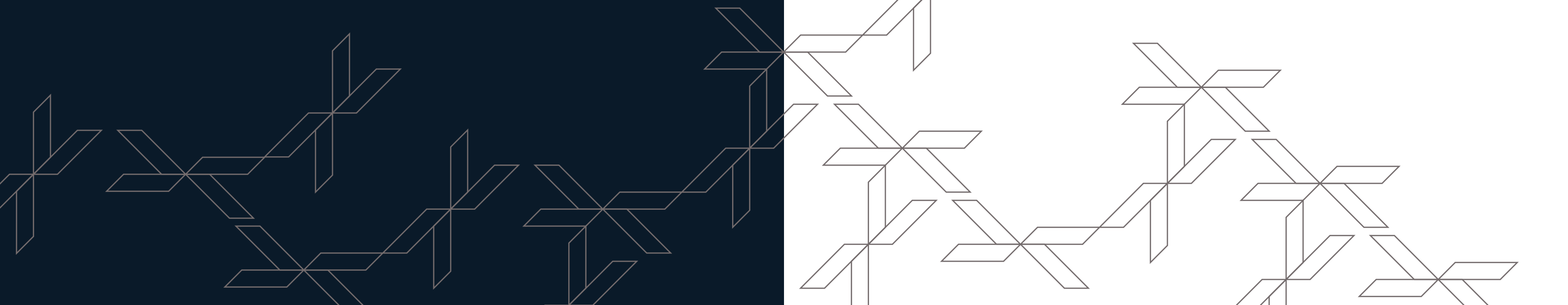
**Sylvain Cossette**  
President and Chief Executive Officer



# agility creativity connection



Cominar Offices





# AGILITY

## BOLDNESS / ADAPTABILITY / FLEXIBILITY

Agility is more than the capacity to adapt quickly to the ever-shifting real estate landscape. It is a way of doing business and an integral part of our processes and our vision here at Cominar.

Agility is what allows us to adjust our business model to meet the evolving needs of our industry and cater to our clients more and more effectively.

It impels us to see and think differently, and stay nimble in our methods and our overall approach. These are the foundations for our ambition and our determination to lead the way in our sector.

This core value manifests itself every day in several vital aspects of our client offering:

- › The diversification of our portfolio, which enables us to optimize our flexible business solutions in line with the individual needs and aspirations of our clients.
- › Our ability to adapt our services and roll out initiatives that keep us one step ahead of the changes in our industry.
- › Our commitment to thinking outside the box and embracing a collaborative management style that brings teams together in a hands-on way.

Agility, boldness, adaptation and flexibility – these are key drivers of our ongoing success that will continue to shape our outlook for the years and decades to come.



***"The best way to predict the future is to create it yourself."***

Peter Diamandis  
Engineer, physician and entrepreneur  
Founder and Executive Chairman, XPRIZE Foundation





Cominar Offices



***"If you can dream it, you can do it."***

Walt Disney  
Founder, The Walt Disney Company

# CREATIVITY

PASSION / INNOVATION / CURIOSITY

In business, creativity is what pushes us to see things from another angle and to keep reinventing ourselves. It fuels our curiosity of the unknown and sparks our passion for coming up with new ways to look at our industry and deliver experiences that are anything but the same old same old.

Our world is changing at breakneck speed, and our properties have to keep pace with it. But we are able to tap into the boundless creativity and steadfast commitment of our people at every level of our organization to develop tomorrow's solutions today.

How can we push the innovation envelope to reach out to current and prospective clients? How can we foster continuous improvement methods that engage each and every one of our stakeholders? How can we make

technological innovation a strategic and operational priority? How can we fundamentally redefine what an office space, an industrial property or a shopping centre is – and what it does?

This journey toward something new, something more, something better, motivates us to embrace novel ideas with an open mind and an exceptional spirit of resourcefulness to offer solutions that woo and wow our clients in new and unexpected ways.

Creativity is the renewable energy of our time, an invisible force that spurs us to excellence, and inspires us to live the present and dream the future.



Cominar Offices



# CONNECTION

## APPROACHABILITY / COLLABORATION / RESPECT

What if we redefined the concept of teamwork and took it to a whole new level?

That's precisely what's happening at Cominar: by working together in an environment where connection, dialogue and respect matter, we are building the future of our company and reshaping the way we do business.

Opening the door to innovation, to sharing knowledge and collaborating with others – this is the cornerstone of the philosophy that guides and inspires our people every single day.

This coming together has been the impetus behind revamping our work structure to foster an environment where personal excellence and team cohesion are at the heart of the innovative solutions we bring to the table. The end goal is to develop practices adapted to the new realities of the business world and leverage the talents of every member of our team in order to better serve the interests of our clients, investors and partners.

At Cominar, we're about more than real estate. We are committed to growing and developing in an ecosystem where relationships nourish our prosperity over the long term. These relationships with our clients, our suppliers, our people and society as a whole play a critical role in our success.

Our world is changing a little every day. And it's up to us to put our collective spirit of creativity and innovation to work to change with it.



Cominar Offices



Cominar Offices



***"Coming together is a beginning; keeping together is progress; working together is success."***

Henry Ford  
Early 20<sup>th</sup> century industrialist  
Founder, Ford Motor Company



RETAIL

The Cominar brand is intrinsically linked to market-leading retail properties in prime locations. Our portfolio is made up of shopping centres and retail strips that cater to market and customer needs.

The Cominar shopping centre is a veritable lifestyle hub, with an ambiance that is open to what customers want in terms of experience. It can be calm if they wish to sit back and relax in comfort, or dynamic and engaging if they are looking to be entertained.

The merchandise mix in our centres must be personalized, diverse and constantly evolving to keep pace with these needs. But beyond personalization, products must be locally and ethically sourced in order to correspond to consumers’ values and allow them to fully express their personalities.

In 2017, we initiated a major strategic shift to redefine the consumer experience in our retail properties, bringing in a number of distinctive concepts in sync with this vision. The Womance concept, for one, travelled to several of our centres to provide online shoppers with a unique experience based on the human contact of a store environment. Place de la Cité, Carrefour Rimouski, Alexis Nihon, Les Rivières, Galeries de Hull, Centre commercial Rivière-du-Loup and Galeries Rive Nord proved to be popular destinations for this new, and diverse, group of customers.

Our partnership with Montreal’s Fashion & Design Festival was also a unique opportunity to bring emerging concepts together under the same roof and give them a direct line to their customer base. The pop-up tour kicked off at Rockland, featuring a lineup of hotter-than-hot Quebec brands such as Allcovered, Maguire, Le Cartel, Duy and Horace – to the great delight of shoppers.

In keeping with our commitment to innovation, we welcomed Mandy’s food truck to the Rockland central court during the year to serve up their delicious gourmet salads. Rockland thus became the first shopping centre in Quebec to host a full-size food truck indoors. The move was also a first for Mandy’s, whose “create your own salad” concept is already faring extremely well in five locations in Montreal.

In addition, we are investing in the renovation of the Rockland food court, inspired by the latest design and restaurant trends. It will feature a large atrium with open-air kitchens for permanent restaurateurs as well as a few novel pop-up concepts. Through this initiative, we will be redefining the culinary experience and making Rockland one of Montreal’s groundbreaking culinary destinations, where professional chefs will hold demonstrations and unique gastronomic events.

CARTE BLANCHE PROGRAM



We expanded and revamped our already popular gift card program, which extends to 18 shopping centres across Canada. The new program allows consumers to purchase gift cards online or at one of our centres, or to order them electronically. The accompanying promotional campaign was greeted with great enthusiasm, lending an extra measure of visibility to Cominar and our participating properties.



TOTAL NUMBER OF PROPERTIES



154

TOTAL LEASABLE SPACE (SQ.FT.)



12.1M

OCCUPANCY RATE



93.2%





Cominar Offices

# OFFICE

We are a leader in the Quebec office space market. Our office properties boast strategic locations, excellent visibility and easy access for both our clients and their clients.

There were multiple success stories in office leasing in 2017. For one, our teams finalized several deals at 3055 Saint-Martin Boulevard, in Laval, to incorporate clients such as Lafarge and Kiewit into the property’s roster of occupants.

In keeping with our ongoing commitment to serving our clients better and more effectively, we introduced a number of innovative promotional tools in the past year – including augmented and virtual reality applications. These tools help optimize our efforts to market our available space and showcase our business solutions in an increasingly impactful way. What’s more, Cominar’s own collaborative, stimulating offices reflect our steadfast determination to be a source of inspiration for our clients and the industry as a whole.

Companies that choose to team up with Cominar enjoy first-rate amenities in line with their business imperatives and the requirements specific to their sector of activity. We are proud to specialize in creating environments that enable our clients to thrive in their market and remain focused on their growth.



TOTAL NUMBER  
OF PROPERTIES

 **136**

TOTAL LEASABLE  
SPACE (SQ. FT.)

 **14.8M**

OCCUPANCY  
RATE

 **89.1%**

Complexe Jules-Dallaire







1201 Marie-Victorin Street, Saint-Bruno-de-Montarville, QC

# INDUSTRIAL AND MIXED-USE

Our industrial and mixed-use properties are ideally located and designed to accommodate the particular needs of this segment. Facilities can easily be adapted to suit a variety of purposes, including production, processing, distribution, warehousing, administration and/or manufacturing.

In an effort to meet the less conventional needs of certain clients during the year, we came up with solutions to adapt industrial spaces for office use for companies such as Ubisoft, InnovMetric and Coveo, and create entertainment venues such as iSaute Quebec.

A number of development projects will be kicked off in 2018 to meet robust market demand.

A new website has been developed to view available spaces in the Cominar portfolio. The search tool makes it easy for real estate agents and direct clients to find industrial and mixed-use properties that match their requirements.

At Cominar, we take pride in working hand in hand with our clients to ensure their success by providing them with flexible environments that energize, engage and inspire.



TOTAL NUMBER  
OF PROPERTIES



235

TOTAL LEASABLE  
SPACE (SQ.FT.)



17.5M

OCCUPANCY  
RATE



95.2%



# SOCIAL RESPONSIBILITY

Guided by the human values that have been at the core of our organization since day one and our deep-seated commitment to building better communities, we are passionate about doing our part to improve our collective future.

Under our volunteering program, the aim of which is to encourage employees to give back to the communities where they live and work, a total of 14,961 hours has been invested in local charities since 2016.



With the support of our people throughout the organization, we are proud to contribute to no fewer than 104 initiatives that are making a difference in multiple spheres.



**"Effective philanthropy requires a lot of time and creativity – the same kind of focus and skills that building a business requires."**

Bill Gates  
Founder, Microsoft Corporation

## VOLUNTEERING PROGRAM IN 2017

**69%**  
RATE OF EMPLOYEE ENGAGEMENT

**7,640**  
HOURS INVESTED IN THE COMMUNITY



Accessibility Ramp  
CRIR Project – Alexis Nihon



Spin-O-Cage Event – Place de la Cité

photo: Daniel Filion

Since 2008, our employees and managers have voluntarily contributed to Centraide/United Way – and every year we as a company proudly match these amounts. The combined total to date comes to \$1,874,028. In 2017 alone, we raised \$383,700 for this very worthy cause, thanks to the participation of 448 employees, or 71% of our organization.

In 2017, 18 of our shopping centres in Quebec took part in our signature event, Cominar's Forest of Stars, benefiting Opération Enfant Soleil. The \$161,000 raised handily surpassed the initial target of \$150,000. The success of this initiative is attributable to the generosity of our partners and the hard work of our volunteers, employees and retailers in the nine regions covered by the event.

Our corporate social responsibility priorities have also been reflected in the revitalization project at the Alexis Nihon shopping centre. Working closely with the Centre for

Interdisciplinary Research in Rehabilitation of Greater Montreal (CRIR), we adapted the renovations to provide a safe environment for people with mobility and visual impairments. Alexis Nihon is actually the first building in North America to introduce these features. In recognition of its efforts, the property received a Maple Leaf Silver Award in 2015 from the ICSC Canadian Shopping Centre Awards in the Renovations/Expansions category.

The dedication of each and every individual involved in these activities helps us enhance the quality of life of thousands of people and reinforce Cominar's reputation as an industry leader committed to striking a balance between empathy, humanity and business acumen.



# ENVIRONMENTAL STEWARDSHIP

We took up the sustainability mantle in the mid-'90s as the first company in Quebec to spearhead a project, at our Place de la Cité shopping centre in collaboration with Hydro-Québec, in which generators were used to offset power consumption peaks incurred through the utility. For more than two decades, a central platform has allowed the engineering team in charge of energy management for the portfolio to introduce and monitor best practices, especially those related to the recommissioning of existing buildings. This involves a process designed to reoptimize HVAC systems in order to enhance occupant comfort and save energy.

This environmentally responsible approach is the backbone of everything we do and all of the projects we undertake at Cominar. What can we improve to reduce our carbon footprint? How can we get everyone on board to build a cleaner, greener, more eco-minded world?

The sum of our actions, day in and day out, is decisive in creating a better future for our company, our people and the communities we operate in.

- › 27 of our properties are BOMA-certified. Complexe Jules-Dallaire is certified under the LEED program, and certification procedures are currently underway for Tower 5 of Place Laval.
- › Participation in the GRAME environmental program and the SOVERDI project to plant over 300 trees on our properties in Dorval, Lachine and Saint-Laurent.
- › Development of the Plug & Drive program, in partnership with the FLO network, so drivers of electric vehicles (EVs) can recharge their batteries at 18 of our shopping centres, as well as Complexe Jules-Dallaire in Quebec City and Montreal Central Station.
- › A fast-charge station, part of Hydro-Québec's Electric Circuit, at Centre commercial Rivière-du-Loup, serving EV drivers along the corridor between Montreal and Mont-Joli.
- › Bicycle parking facilities at Alexis Nihon, complete with a Biciborne bicycle repair station for cycle commuters.
- › Car-sharing service at Alexis Nihon in conjunction with Car2go.
- › Program to collect recyclables, organic waste, power chargers, cables, computer peripheral devices, small electronics and printer cartridges.
- › In 2017, close to 44,900 electronic devices were recycled through the Electrobac program.

At Cominar, sustainability isn't about looking good – it's about doing good.



Energy Recovery System – Complexe Jules-Dallaire



EV Charging Station – La Plaza de la Mauricie



***"Sustainable development is essential to the survival of the market economy."***

Louis Schweitzer  
French government official and business executive  
Former Chair and CEO of Renault



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# MANAGEMENT'S DISCUSSION AND ANALYSIS



The following Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the fiscal year ended December 31, 2017, in comparison with the fiscal year ended December 31, 2016, as well as its financial position as at that date and its outlook. Dated March 7, 2018, this MD&A reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

**Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts,** and are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

**BASIS OF PRESENTATION**

Certain financial information in this MD&A present the consolidated balance sheets and consolidated statements of comprehensive income, including Cominar's proportionate share in the assets, liabilities, revenues and charges of its joint ventures, hereinafter referred to as "Cominar's proportionate share", which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar, including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures, provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. The reader is invited to refer to the section *Reconciliations to Cominar's proportionate share* for a complete reconciliation of Cominar's consolidated financial statements prepared in accordance with IFRS to the financial information including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this MD&A.

Additional information on Cominar, including its 2016 Annual Information Form, is available on Cominar's website at [www.cominar.com](http://www.cominar.com) and on the Canadian Securities Administrators' ("CSA") website at [www.sedar.com](http://www.sedar.com).

The Board of Trustees, under the recommendation of the Audit Committee, has approved the contents of this MD&A.

# REAL ESTATE PORTFOLIO

**525**

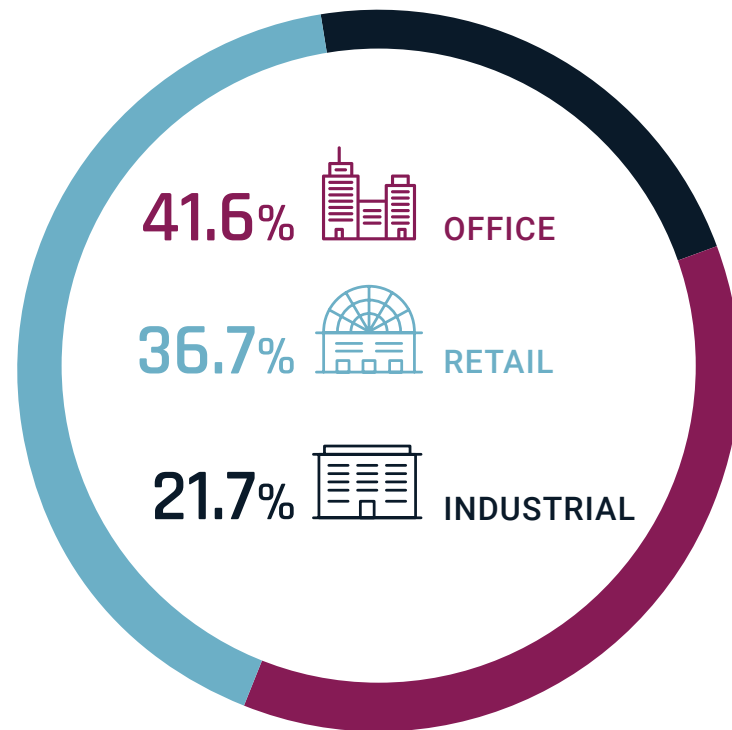
PROPERTIES

**44.4M sq. ft.**

LEASABLE AREA

**\$7.8B**

ASSETS



SEGMENT  
DIVERSIFICATION  
(NET OPERATING INCOME)

GEOGRAPHIC  
DIVERSIFICATION  
(PROPERTIES)

**127**

QUEBEC  
REGION

**282**

MONTREAL  
REGION

**20**

OTTAWA

**24**

TORONTO  
REGION

**58**

ATLANTIC  
PROVINCES

**14**

WESTERN  
CANADA

# REAL ESTATE PORTFOLIO

## CORE MARKETS

**429**

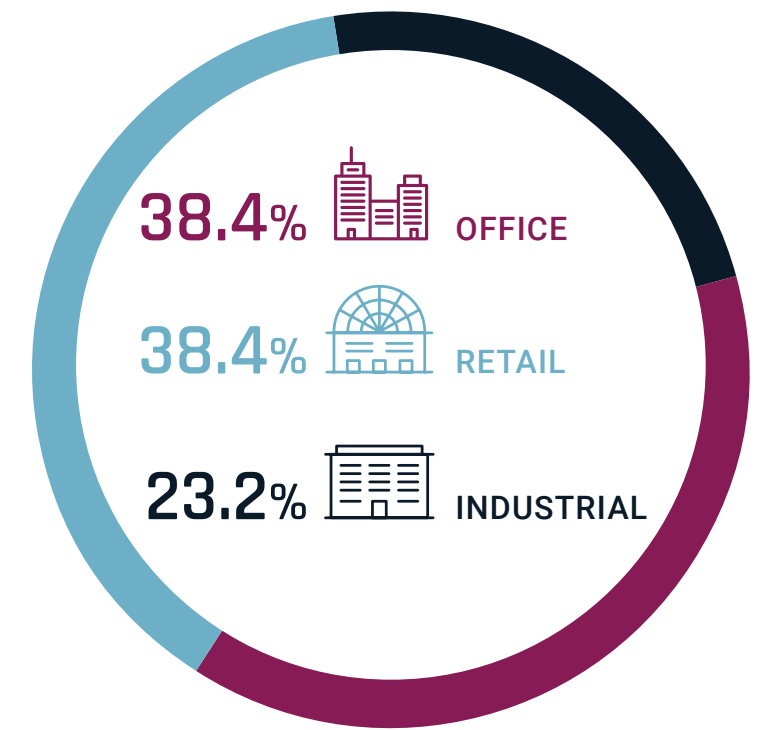
PROPERTIES

**38.1M sq. ft.**

LEASABLE AREA

**\$6.7B**

ASSETS



SEGMENT  
DIVERSIFICATION  
(NET OPERATING INCOME)

GEOGRAPHIC  
DIVERSIFICATION  
(PROPERTIES)

**127**

QUEBEC  
REGION

**282**

MONTREAL  
REGION

**20**

OTTAWA



# HIGHLIGHTS

\$120.7M

DISPOSITIONS OF INVESTMENT PROPERTIES

70.7%

INCREASE IN RETENTION RATE TO

0.6%

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

1.4 M sq. ft.

COMMITTED LEASES COMMENCING IN THE COMING QUARTERS

92.6%

INCREASE IN THE OCCUPANCY RATE TO

\$1.1B

DEFINITIVE AGREEMENT TO SELL INVESTMENT PROPERTIES IN NON-CORE MARKETS

# HIGHLIGHTS CORE MARKETS

-0.1%

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

76.0%

INCREASE IN RETENTION RATE TO

93.2%

INCREASE IN THE OCCUPANCY RATE TO

1.2 M sq. ft.

COMMITTED LEASES COMMENCING IN THE COMING QUARTERS

## SUBSEQUENT EVENTS

On January 10, 2018, Cominar announced the increase of its normal course issuer bid ("NCIB"), increasing the maximum number of units that can be repurchased for cancellation from 9,000,000 units to 17,596,591 units. Under this NCIB, Cominar has repurchased, since the beginning of fiscal year 2018, 2,709,500 units at an average price of \$14.58, for a total consideration of \$39.5 million paid cash. Since December 19, 2017, Cominar has repurchased a total of 3,440,400 units at an average price of \$14.50, for a total consideration of \$49.9 million paid cash.

On January 15, 2018 and February 15, 2018, Cominar declared a monthly distribution of \$0.095 per unit for each of these months.

Subsequent to the end of fiscal 2017, Cominar entered into the following loans: a \$75.0 million bridge loan bearing interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points and repayable on the closing of the \$1.1 billion sale of investment properties, a 10-year \$42.5 million mortgage payable, bearing interest at 4.484% and a 5-year \$45.0 million mortgage payable, bearing interest at prime rate plus 90 basis points or 4.00%, whichever is greater. The net proceeds from these loans were used to repay a portion of the unsecured revolving operating and acquisition credit facility.

On February 12, 2018, Alban D'Amours was appointed as Cominar's Chairman of the Board of Trustees following the departure of Michel Dallaire.

On March 7, 2018, Cominar decreased the monthly distribution from \$0.095 per unit to \$0.06 per unit, beginning with the distribution of March 2018, payable in April 2018.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other reports filed with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among other things, statements with respect to our medium-term and 2018 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include financial conditions in Canada and elsewhere in the world; the effects of competition in the markets where we operate; the impact of changes in laws and regulations, including tax laws; successful execution of our strategy; our ability to complete and integrate acquisitions successfully; our ability to attract and retain key employees and executives; the financial position of clients; our ability to refinance our debts upon maturity and to lease vacant space; our ability to complete developments according to plans and schedules and to raise capital to finance growth as well as the interest rate variations.

We caution readers that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Cominar, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties. Unless otherwise stated, all forward-looking statements are valid only as at the date of this MD&A. We do not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this MD&A, as well as in the "Risk Factors" section of Cominar's 2016 Annual Information Form.

## NON-IFRS FINANCIAL MEASURES

In this MD&A, we provide guidance and report on certain non-IFRS measures, including "net operating income," "adjusted net income," "funds from operations," "adjusted funds from operations," "adjusted cash flows from operations" and "proportionate share in joint ventures adjustments," which management uses to evaluate Cominar's performance. Because non-IFRS measures do not have standardized meanings and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their closest IFRS measure and given no more prominence than the latter. You may find such information in the sections dealing with each of these measures.

## PERFORMANCE INDICATORS

Cominar measures the success of its strategy using a number of performance indicators:

- **Same property net operating income**, which provides an indication of the operating profitability of the same property portfolio, that is, Cominar's ability to increase revenues, reduce costs, and generate organic growth;
- **Funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity's performance;
- **Adjusted funds from operations ("AFFO") per unit**, which, by excluding the rental income arising from the recognition of leases on a straight-line basis, the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations and a provision for leasing costs, provides a meaningful measure of Cominar's ability to generate steady profits;
- **Adjusted cash flows from operations ("ACFO") per unit**, which provides a helpful real estate benchmark to measure Cominar's ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt from operating revenues;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties;
- **Retention rate**, which helps assess client satisfaction and loyalty;
- **Growth in the average net rent of renewed leases**, which is a measure of organic growth and gives an indication of our capacity to increase our rental revenue;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk.

The above-mentioned performance indicators are not IFRS financial measures. Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31

	2017 \$	2016 \$	% Δ	Page
<b>FINANCIAL PERFORMANCE</b>				
Operating revenues – Financial statements	<b>835,489</b>	866,982	(3.6)	44
Operating revenues – Cominar's proportionate share <sup>(1)</sup>	<b>848,840</b>	877,095	(3.2)	45
Net operating income <sup>(1)</sup> – Financial statements	<b>436,037</b>	468,609	(7.0)	46
Net operating income <sup>(1)</sup> – Cominar's proportionate share	<b>443,586</b>	474,354	(6.5)	46
Same property net operating income <sup>(1)</sup>	<b>436,771</b>	445,904	(2.0)	46
Net income (net loss) <sup>(7)</sup>	<b>(391,725)</b>	241,738	(262.0)	54
Adjusted net income <sup>(1)</sup>	<b>255,798</b>	272,669	(6.2)	54
Recurring funds from operations (FFO) <sup>(1)</sup>	<b>255,089</b>	278,570	(8.4)	55
Recurring adjusted funds from operations (AFFO) <sup>(1)</sup>	<b>215,827</b>	241,938	(10.8)	55
Cash flows provided by operating activities – Financial Statements	<b>233,225</b>	284,090	(17.9)	58
Recurring adjusted cash flows from operations (ACFO) <sup>(1)</sup>	<b>216,696</b>	245,988	(11.9)	58
Distributions	<b>246,523</b>	254,456	(3.1)	59
Total assets	<b>7,824,993</b>	8,287,785	(5.6)	43
<b>PER UNIT FINANCIAL PERFORMANCE</b>				
Net income (net loss) (basic and diluted)	<b>(2.13)</b>	1.40	(252.1)	54
Adjusted net income (diluted) <sup>(1)</sup>	<b>1.39</b>	1.58	(12.0)	54
Recurring funds from operations (FFO)(FD) <sup>(1)(2)</sup>	<b>1.38</b>	1.61	(14.3)	55
Recurring adjusted funds from operations (AFFO)(FD) <sup>(1)(2)</sup>	<b>1.17</b>	1.40	(16.4)	55
Recurring adjusted cash flows from operations (ACFO)(FD) <sup>(1)(2)</sup>	<b>1.18</b>	1.43	(17.5)	58
Distributions	<b>1.3325</b>	1.4700	(9.4)	59
Payout ratio of recurring adjusted cash flows from operations (ACFO) <sup>(1)</sup>	<b>112.9%</b>	102.8%	9.8	58
Cash payout ratio of recurring adjusted cash flows from operations (ACFO) <sup>(1)</sup>	<b>94.7%</b>	95.3%	(0.6)	58
Payout ratio of recurring adjusted funds from operations (AFFO) <sup>(2)</sup>	<b>113.9%</b>	105.0%	8.5%	55
<b>FINANCING</b>				
Debt ratio <sup>(3)</sup>	<b>57.4%</b>	52.4%		62
Interest coverage ratio <sup>(4)</sup>	<b>2.43:1</b>	2.65:1		62
Weighted average interest rate on total debt	<b>4.10%</b>	4.23%		62
Residual weighted average term of total debt (years)	<b>3.7</b>	4.5		62
Unsecured debts-to-total-debt ratio <sup>(5)</sup>	<b>52.1%</b>	53.0%		63
Unencumbered income properties	<b>3,347,839</b>	3,736,476		63
Unencumbered assets to unsecured debt ratio <sup>(6)</sup>	<b>1.43:1</b>	1.62:1		63
<b>OPERATIONAL DATA</b>				
Number of investment properties	<b>525</b>	539		65
Leasable area (in thousands of sq. ft.)	<b>44,370</b>	44,919		65
Occupancy rate	<b>92.6%</b>	92.4%		69
Retention rate	<b>70.7%</b>	68.2%		70
Growth in the average net rent of renewed leases	<b>0.6%</b>	1.8%		70
<b>DEVELOPMENT ACTIVITIES</b>				
Properties under development – Cominar's proportionate share <sup>(1)</sup>	<b>43,547</b>	63,647		41

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

(2) Fully diluted.

(3) Total of cash and cash equivalents, bank borrowings, mortgages payable and debentures divided by the total assets minus the total of cash and cash equivalents.

(4) Net operating income less Trust administrative expenses divided by finance charges.

(5) Unsecured debt divided by total debt.

(6) Fair value of unencumbered income properties divided by the unsecured debt.

(7) Includes the change in fair value of investment properties.

## SELECTED QUARTERLY INFORMATION

The following table presents, in summary form, Cominar's financial information for the last eight quarters:

For the quarters ended	Dec. 31, 2017 \$	Sept. 30, 2017 \$	June 30, 2017 \$	March 31, 2017 \$	Dec. 31, 2016 \$	Sept. 30, 2016 \$	June 30, 2016 \$	March 31, 2016 \$
Operating revenues – Financial statements	<b>207,418</b>	204,160	209,955	213,956	210,350	217,946	217,262	221,424
Operating revenues – Cominar's proportionate share <sup>(4)</sup>	<b>211,197</b>	207,753	213,032	216,858	213,008	220,371	219,859	223,857
Net operating income <sup>(4)</sup> – Financial statements	<b>110,487</b>	110,180	109,487	105,883	114,301	124,569	116,069	113,670
Net operating income <sup>(4)</sup> – Cominar's proportionate share	<b>112,654</b>	112,247	111,268	107,417	115,790	126,055	117,456	115,053
Net income (net loss)	<b>(581,256)<sup>(1)</sup></b>	63,981	65,837	59,713	26,341 <sup>(1)</sup>	77,529 <sup>(2)</sup>	69,787	68,081
Adjusted net income <sup>(4)</sup>	<b>68,551</b>	63,981	63,553	59,713	67,996	66,805	69,787	68,081
Recurring FFO <sup>(4)</sup>	<b>63,892</b>	65,287	64,902	61,008	69,423	68,511	71,359	69,277
Recurring AFFO <sup>(4)(5)</sup>	<b>51,628</b>	55,414	56,312	52,473	59,213	58,782	62,908	61,034
Cash flows provided by operating activities – Financial statements	<b>81,471</b>	100,702	15,299	35,753	102,031	120,213	23,214	38,632
Recurring ACFO <sup>(4)</sup>	<b>52,117</b>	54,924	59,275	50,380	60,601	54,181	65,614	65,592
Distributions	<b>52,792</b>	58,006	68,079	67,646	67,156	63,513	61,817	61,970
<b>PER UNIT</b>								
Net income (net loss) (basic and diluted)	<b>(3.14)<sup>(1)</sup></b>	0.35	0.36	0.33	0.14 <sup>(1)</sup>	0.46	0.41	0.40
Adjusted net income (diluted) <sup>(4)</sup>	<b>0.37</b>	0.35	0.35	0.33	0.37	0.39	0.41	0.40
Recurring FFO (FD) <sup>(3)(4)</sup>	<b>0.34</b>	0.35	0.35	0.33	0.38	0.40	0.42	0.41
Recurring AFFO (FD) <sup>(3)(4)</sup>	<b>0.28</b>	0.30	0.31	0.29	0.33	0.35	0.37	0.36
Recurring ACFO (FD) <sup>(3)(4)</sup>	<b>0.28</b>	0.30	0.32	0.30	0.33	0.32	0.39	0.39
Distributions	<b>0.2850</b>	0.3125	0.3675	0.3675	0.3675	0.3675	0.3675	0.3675

(1) Includes the change in fair value of investment properties of -\$616.4 million in 2017 [-\$46.7 million in 2016] and the derecognition of goodwill of \$27.0 million.

(2) Includes the net proceeds of \$10.7 million from the settlement approved by the court between Target Canada and its creditors.

(3) Fully diluted

(4) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

(5) Following the publication by REALpac of a White Paper on AFFO effective January 1, 2017, the amounts for 2016 have been restated to comply with the REALpac definition.

## SELECTED ANNUAL INFORMATION

The following table presents a summary of Cominar's financial information for the last 3 fiscal years:

For the years ended December 31	2017	2016	2015
	\$	\$	\$
Operating revenues – Financial statements	<b>835,489</b>	866,982	889,175
Operating revenues – Cominar's proportionate share <sup>(3)</sup>	<b>848,840</b>	877,095	898,042
Net operating income <sup>(3)</sup> – Financial statements	<b>436,037</b>	468,609	487,488
Net operating income <sup>(3)</sup> – Cominar's proportionate share	<b>443,586</b>	474,354	492,378
Net income (net loss) <sup>(2)</sup>	<b>(391,725)</b>	241,738	272,434
Adjusted net income <sup>(3)</sup>	<b>255,798</b>	272,669	298,910
Recurring FFO <sup>(3)</sup>	<b>255,089</b>	278,570	302,240
Recurring AFFO <sup>(3)</sup>	<b>215,827</b>	241,938	265,430
Cash flows provided by operating activities – Financial statements	<b>233,225</b>	284,090	263,942
Recurring ACFO <sup>(3)</sup>	<b>216,696</b>	245,988	268,489
Distributions	<b>246,523</b>	254,456	251,295
Total assets	<b>7,824,993</b>	8,287,785	8,225,697
<b>PER UNIT</b>			
Net income (net loss) (basic and diluted)	<b>(2.13)</b>	1.40	1.62
Adjusted net income (diluted) <sup>(3)</sup>	<b>1.39</b>	1.58	1.78
Recurring FFO (FD) <sup>(1)(3)</sup>	<b>1.38</b>	1.61	1.79
Recurring AFFO (FD) <sup>(1)(3)</sup>	<b>1.17</b>	1.40	1.57
Recurring ACFO (FD) <sup>(1)(3)</sup>	<b>1.18</b>	1.43	1.59
Distributions	<b>1.3325</b>	1.4700	1.4700

(1) Fully diluted

(2) Includes the change in fair value of investment properties and the derecognition of goodwill.

(3) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

## GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is one of the largest diversified REITs in Canada and remains the largest commercial property owner and manager in the province of Quebec. As at December 31, 2017, Cominar owned and managed a high-quality portfolio of 525 properties including 136 office buildings, 154 retail buildings and 235 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 44.4 million square feet. Cominar's properties are mostly situated in prime locations and benefit from high visibility and easy access by both our tenants and their clients.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, bringing the value of its assets to \$7.8 billion as at December 31, 2017.

In December, 2017, Cominar announced that it has entered into a definitive agreement to sell its entire non-core market portfolio, for total gross proceeds of \$1.14 billion. The portfolio comprises 96 properties totalling 6.2 million square feet, located in the Greater Toronto Area, the Atlantic Provinces and Western Canada. As a result of this transaction, Cominar will concentrate its activities in the cities of Montréal, Québec and Ottawa.

Cominar's asset and property management is internalized. Cominar is an integrated and self-managed real estate investment company. This property management structure enables us to rapidly and efficiently respond to our clients' needs, while minimizing our operating cost.

### PROPERTY SUMMARY AS AT DECEMBER 31, 2017

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate
Office	136	14,830,000	89.1%
Retail	154	12,075,000	93.2%
Industrial and mixed-use	235	17,465,000	95.2%
<b>TOTAL</b>	<b>525</b>	<b>44,370,000</b>	<b>92.6%</b>

### PROPERTY SUMMARY AS AT DECEMBER 31, 2017 – CORE MARKETS

Operating segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate
Office	100	11,955,000	90.0%
Retail	131	10,445,000	93.1%
Industrial and mixed-use	198	15,749,000	95.9%
<b>TOTAL</b>	<b>429</b>	<b>38,149,000</b>	<b>93.2%</b>

Geographic market	Number of properties	Leasable area (sq. ft.)	Occupancy rate
Québec	127	10,253,000	94.9%
Montréal	282	25,420,000	92.9%
Ottawa	20	2,476,000	89.7%
<b>TOTAL</b>	<b>429</b>	<b>38,149,000</b>	<b>93.2%</b>

## OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide unitholders with stable and sustainable monthly cash distributions which are tax deferred, from investments in a diversified portfolio of properties, and to increase and maximize unit value through the proactive management of properties and the ongoing expansion of its real estate portfolio.

In December, 2017, Cominar announced that it has entered into a definitive agreement to sell its entire non-core market portfolio, for total gross proceeds of \$1.14 billion. The portfolio comprises 96 properties totalling 6.2 million square feet, located in the Greater Toronto Area, the Atlantic Provinces and Western Canada.

As at December 31, 2017, Cominar is the third largest diversified real estate investment trust in Canada and its portfolio totals 44.4 million square feet located in Quebec, Ontario, the Atlantic Provinces and Western Canada. Cominar is the largest commercial property owner in the Province of Quebec in each of its three asset segments, being office, retail and industrial. After the sale of its entire non-core market portfolio, the REIT will continue to benefit from the diversification resulting from its three very distinct core markets, Montréal, Québec and Ottawa. This focus will allow the REIT to capitalize on its leading position in its core markets. The highly internalized management platform in the core markets further enhances its competitive advantage and operating synergies. It will also allow the REIT to focus its growth and developments in the markets where the competitive advantage exists.

## RECONCILIATIONS TO COMINAR'S PROPORTIONATE SHARE

According to IFRS 11, joint ventures are accounted for under the equity method in Cominar's consolidated financial statements. Management considers that presenting operating and financial results including Cominar's proportionate share of the assets, liabilities, revenues and charges of its joint ventures, provides more complete information on Cominar's financial performance.

The following tables present the reconciliations between Cominar's consolidated financial statements prepared in accordance with IFRS and consolidated financial statements including its proportionate share of the assets, liabilities, revenues and charges of its joint ventures.

As at December 31		2017		2016		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share <sup>(1)</sup>	Consolidated financial statements	Joint ventures	Cominar's proportionate share <sup>(1)</sup>
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Investment properties						
Income properties	6,239,383	163,475	6,402,858	7,676,134	99,197	7,775,331
Properties under development	37,692	5,855	43,547	45,776	17,871	63,647
Land held for future development	91,580	10,126	101,706	90,820	41,288	132,108
	6,368,655	179,456	6,548,111	7,812,730	158,356	7,971,086
Investment properties held for sale	1,143,500	—	1,143,500	143,130	—	143,130
Investments in joint ventures	86,299	(86,299)	—	90,194	(90,194)	—
Goodwill	139,982	—	139,982	166,971	—	166,971
Mortgage receivable	—	—	—	8,250	—	8,250
Accounts receivable	62,956	481	63,437	42,518	305	42,823
Prepaid expenses and other assets	16,673	100	16,773	14,139	88	14,227
Cash and cash equivalents	6,928	77	7,005	9,853	692	10,545
<b>Total assets</b>	<b>7,824,993</b>	<b>93,815</b>	<b>7,918,808</b>	<b>8,287,785</b>	<b>69,247</b>	<b>8,357,032</b>
<b>LIABILITIES</b>						
Mortgages payable	1,873,776	79,286	1,953,062	2,048,009	56,437	2,104,446
Mortgages payable related to the investment properties held for sale	276,350	—	276,350	—	—	—
Debentures	1,721,577	—	1,721,577	1,970,566	—	1,970,566
Bank borrowings	620,366	11,950	632,316	332,121	10,800	342,921
Accounts payable and accrued liabilities	117,482	2,579	120,061	109,861	2,010	111,871
Deferred tax liabilities	6,681	—	6,681	11,715	—	11,715
<b>Total liabilities</b>	<b>4,616,232</b>	<b>93,815</b>	<b>4,710,047</b>	<b>4,472,272</b>	<b>69,247</b>	<b>4,541,519</b>
<b>UNITHOLDERS' EQUITY</b>						
Unitholders' equity	3,208,761	—	3,208,761	3,815,513	—	3,815,513
<b>Total liabilities and unitholders' equity</b>	<b>7,824,993</b>	<b>93,815</b>	<b>7,918,808</b>	<b>8,287,785</b>	<b>69,247</b>	<b>8,357,032</b>

(1) Non-IFRS financial measure.



For the quarters ended December 31

2017

2016

	Consolidated financial statements \$	Joint ventures \$	Cominar's proportionate share <sup>(1)</sup> \$	Consolidated financial statements \$	Joint ventures \$	Cominar's proportionate share <sup>(1)</sup> \$
<b>Operating revenues</b>	<b>207,418</b>	<b>3,779</b>	<b>211,197</b>	210,350	2,658	213,008
<b>Operating expenses</b>	<b>(96,931)</b>	<b>(1,612)</b>	<b>(98,543)</b>	96,049	1,169	97,218
<b>Net operating income<sup>(1)</sup></b>	<b>110,487</b>	<b>2,167</b>	<b>112,654</b>	114,301	1,489	115,790
Finance charges	(42,839)	(989)	(43,828)	(42,482)	(692)	(43,174)
Trust administrative expenses	(11,408)	(6)	(11,414)	(4,490)	(22)	(4,512)
Change in fair value of investment properties	(616,354)	(1,064)	(617,418)	(46,675)	5,020	(41,655)
Share of joint ventures' net income	108	(108)	—	5,795	(5,795)	—
Derecognition of goodwill <sup>(2)</sup>	(26,989)	—	(26,989)	—	—	—
<b>Income (loss) before income taxes</b>	<b>(586,995)</b>	<b>—</b>	<b>(586,995)</b>	26,449	—	26,449
<b>Income taxes</b>	<b>5,739</b>	<b>—</b>	<b>5,739</b>	(108)	—	(108)
<b>Net income (net loss) and comprehensive income</b>	<b>(581,256)</b>	<b>—</b>	<b>(581,256)</b>	26,341	—	26,341

(1) Non-IFRS financial measure.

(2) Share of goodwill associated with investment properties held for sale

For the years ended December 31

2017

2016

	Consolidated financial statements \$	Joint ventures \$	Cominar's proportionate share <sup>(1)</sup> \$	Consolidated financial statements \$	Joint ventures \$	Cominar's proportionate share <sup>(1)</sup> \$
<b>Operating revenues</b>	<b>835,489</b>	<b>13,351</b>	<b>848,840</b>	866,982	10,113	877,095
<b>Operating expenses</b>	<b>(399,452)</b>	<b>(5,802)</b>	<b>405,254</b>	398,373	4,368	402,741
<b>Net operating income<sup>(1)</sup></b>	<b>436,037</b>	<b>7,549</b>	<b>443,586</b>	468,609	5,745	474,354
Finance charges	(168,752)	(3,449)	(172,201)	(170,645)	(2,691)	(173,336)
Trust administrative expenses	(25,977)	(44)	(26,021)	(16,719)	(68)	(16,787)
Change in fair value of investment properties	(616,354)	1,220	(615,134)	(46,675)	5,020	(41,655)
Share of joint ventures' net income	5,276	(5,276)	—	8,006	(8,006)	—
Derecognition of goodwill <sup>(2)</sup>	(26,989)	—	(26,989)	—	—	—
<b>Income (loss) before income taxes</b>	<b>(396,759)</b>	<b>—</b>	<b>(396,759)</b>	242,576	—	242,576
<b>Income taxes</b>	<b>5,034</b>	<b>—</b>	<b>5,034</b>	(838)	—	(838)
<b>Net income (net loss) and comprehensive income</b>	<b>(391,725)</b>	<b>—</b>	<b>(391,725)</b>	241,738	—	241,738

(1) Non-IFRS financial measure.

(2) Share of goodwill associated with investment properties held for sale

## PERFORMANCE ANALYSIS

### FINANCIAL POSITION

The following table indicates the changes in assets and liabilities as well as in unitholders' equity as at December 31, 2017, and 2016, as shown in our consolidated financial statements:

As at December 31

2017

2016

\$ \$ \$ Δ % Δ

#### ASSETS

Investment properties				
Income properties	<b>6,239,383</b>	7,676,134	(1,436,751)	(18.7)
Properties under development	<b>37,692</b>	45,776	(8,084)	(17.7)
Land held for future development	<b>91,580</b>	90,820	760	0.8
	<b>6,368,655</b>	7,812,730	(1,444,075)	(18.5)
Investment properties held for sale	<b>1,143,500</b>	143,130	1,000,370	698.9
Investments in joint ventures	<b>86,299</b>	90,194	(3,895)	(4.3)
Goodwill	<b>139,982</b>	166,971	(26,989)	(16.2)
Mortgage receivable	<b>—</b>	8,250	(8,250)	(100.0)
Accounts receivable	<b>62,956</b>	42,518	20,438	48.1
Prepaid expenses and other assets	<b>16,673</b>	14,139	2,534	17.9
Cash and cash equivalents	<b>6,928</b>	9,853	(2,925)	(29.7)
<b>Total assets</b>	<b>7,824,993</b>	8,287,785	(462,792)	(5.6)

#### LIABILITIES

Mortgages payable	<b>1,873,776</b>	2,048,009	(174,233)	(8.5)
Mortgages payable related to the investment properties held for sale	<b>276,350</b>	—	276,350	100.0
Debentures	<b>1,721,577</b>	1,970,566	(248,989)	(12.6)
Bank borrowings	<b>620,366</b>	332,121	288,245	86.8
Accounts payable and accrued liabilities	<b>117,482</b>	109,861	7,621	6.9
Deferred tax liabilities	<b>6,681</b>	11,715	(5,034)	(43.0)
<b>Total liabilities</b>	<b>4,616,232</b>	4,472,272	143,960	3.2

#### UNITHOLDERS' EQUITY

Unitholders' equity	<b>3,208,761</b>	3,815,513	(606,752)	(15.9)
<b>Total liabilities and unitholders' equity</b>	<b>7,824,993</b>	8,287,785	(462,792)	(5.6)

## RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

The following table indicates the main changes in our results of operations for the periods ended December 31, 2017 and 2016, as shown in our consolidated financial statements:

For the periods ended December 31	Quarter			Year		
	2017	2016		2017	2016	
	\$	\$	% Δ	\$	\$	% Δ
Operating revenues	<b>207,418</b>	210,350	(1.4)	<b>835,489</b>	866,982	(3.6)
Operating expenses	<b>(96,931)</b>	(96,049)	0.9	<b>(399,452)</b>	(398,373)	0.3
Net operating income <sup>(1)</sup>	<b>110,487</b>	114,301	(3.3)	<b>436,037</b>	468,609	(7.0)
Finance charges	<b>(42,839)</b>	(42,482)	0.8	<b>(168,752)</b>	(170,645)	(1.1)
Trust administrative expenses	<b>(11,408)</b>	(4,490)	154.1	<b>(25,977)</b>	(16,719)	55.4
Change in fair value of investment properties	<b>(616,354)</b>	(46,675)	1,220.5	<b>(616,354)</b>	(46,675)	1,220.5
Share of joint ventures' net income	<b>108</b>	5,795	(98.1)	<b>5,276</b>	8,006	(34.1)
Derecognition of goodwill <sup>(2)</sup>	<b>(26,989)</b>	—	100.0	<b>(26,989)</b>	—	100.0
Income taxes	<b>5,739</b>	(108)	(5,413.9)	<b>5,034</b>	(838)	(700.7)
Net income (net loss)	<b>(581,256)</b>	26,341	(2,306.7)	<b>(391,725)</b>	241,738	(262.0)

(1) Non-IFRS financial measure.

(2) Share of goodwill associated with investment properties held for sale

### OPERATING REVENUES

For the periods ended December 31	Quarter			Year		
	2017	2016		2017	2016	
	\$	\$	% Δ	\$	\$	% Δ
Operating revenues – Financial statements	<b>207,418</b>	210,350	(1.4)	<b>835,489</b>	866,982	(3.6)
Operating revenues – Joint ventures	<b>3,779</b>	2,658	42.2	<b>13,351</b>	10,113	32.0
<b>Operating revenues – Cominar's proportionate share<sup>(1)</sup></b>	<b>211,197</b>	213,008	(0.9)	<b>848,840</b>	877,095	(3.2)

(1) Non-IFRS financial measure.

During fiscal 2017, operating revenues, according to the financial statements, decreased by 3.6% [3.2% according to Cominar's proportionate share] compared with fiscal 2016, due to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017 and to the non-recurring net proceeds of \$10.7 million obtained in 2016 from the settlement of the claim against Target.

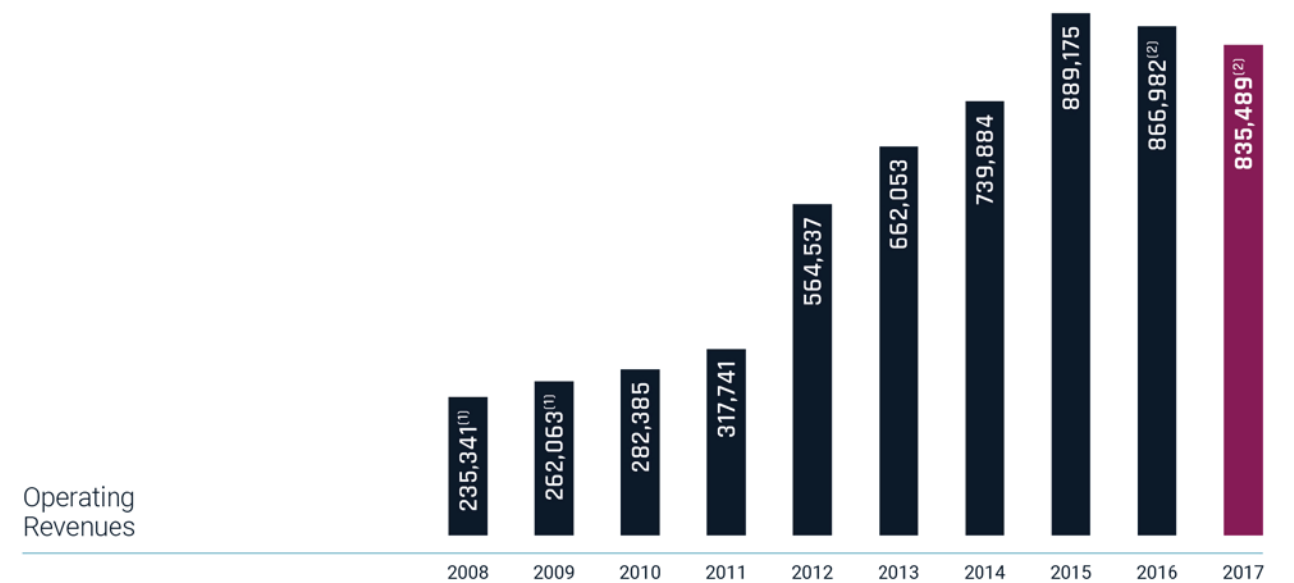
For the periods ended December 31	Quarter			Year		
	2017	2016		2017	2016	
	\$	\$	% Δ	\$	\$	% Δ
Same property portfolio – Financial statements	<b>204,850</b>	205,372	(0.3)	<b>825,566</b>	831,768	(0.7)
Same property portfolio – Joint ventures	<b>3,571</b>	2,531	41.1	<b>12,596</b>	9,788	28.7
Same property portfolio <sup>(1)</sup> – Cominar's proportionate share <sup>(2)</sup>	<b>208,421</b>	207,903	0.2	<b>838,162</b>	841,556	(0.4)
Acquisitions, developments and dispositions – Financial statements	<b>2,568</b>	4,978	(48.4)	<b>9,923</b>	35,214	(71.8)
Acquisitions and developments – Joint ventures	<b>208</b>	127	63.8	<b>755</b>	325	132.3
<b>Operating revenues – Cominar's proportionate share<sup>(2)</sup></b>	<b>211,197</b>	213,008	(0.9)	<b>848,840</b>	877,095	(3.2)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2015, except for the properties sold in 2016 and 2017, but does not include the results of properties acquired and those under development in 2016 and 2017.

(2) Non-IFRS financial measure.

During fiscal 2017, operating revenues of the same property portfolio, according to the financial statements, decreased by 0.7% [0.4% according to Cominar's proportionate share] compared with fiscal 2016. This decrease is due to a decrease in the in-place occupancy rate for the office segment (Western Canada, Atlantic Provinces and Ottawa), and for the retail segment (Western Canada, Ottawa and Montréal), partially offset by an increase in the in-place occupancy rate for the industrial segment as well as a decrease in the average net rent of renewed leases for the retail segment.

The chart below presents Cominar's operating revenues, according to the consolidated financial statements, over the past 10 years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

(2) Decrease in operating revenues due mainly to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017.



## NET OPERATING INCOME

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the change in fair value of investment properties, derecognition of goodwill, share of joint ventures' net income, finance charges, Trust administrative expenses and income taxes. This definition may differ from that of other entities and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other entities.

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
Net operating income – Financial statements	<b>110,487</b>	114,301	(3.3)	<b>436,037</b>	468,609	(7.0)
Net operating income – Joint ventures	<b>2,167</b>	1,489	45.5	<b>7,549</b>	5,745	31.4
<b>Net operating income – Cominar's proportionate share<sup>(1)</sup></b>	<b>112,654</b>	115,790	(2.7)	<b>443,586</b>	474,354	(6.5)

(1) Non-IFRS financial measure.

During fiscal 2017, NOI, according to the financial statements, decreased by 7.0% [6.5% according to Cominar's proportionate share] from fiscal 2016. This decrease is due to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017 and to the non-recurring net proceeds of \$10.7 million obtained in 2016 from the settlement of the claim against Target.

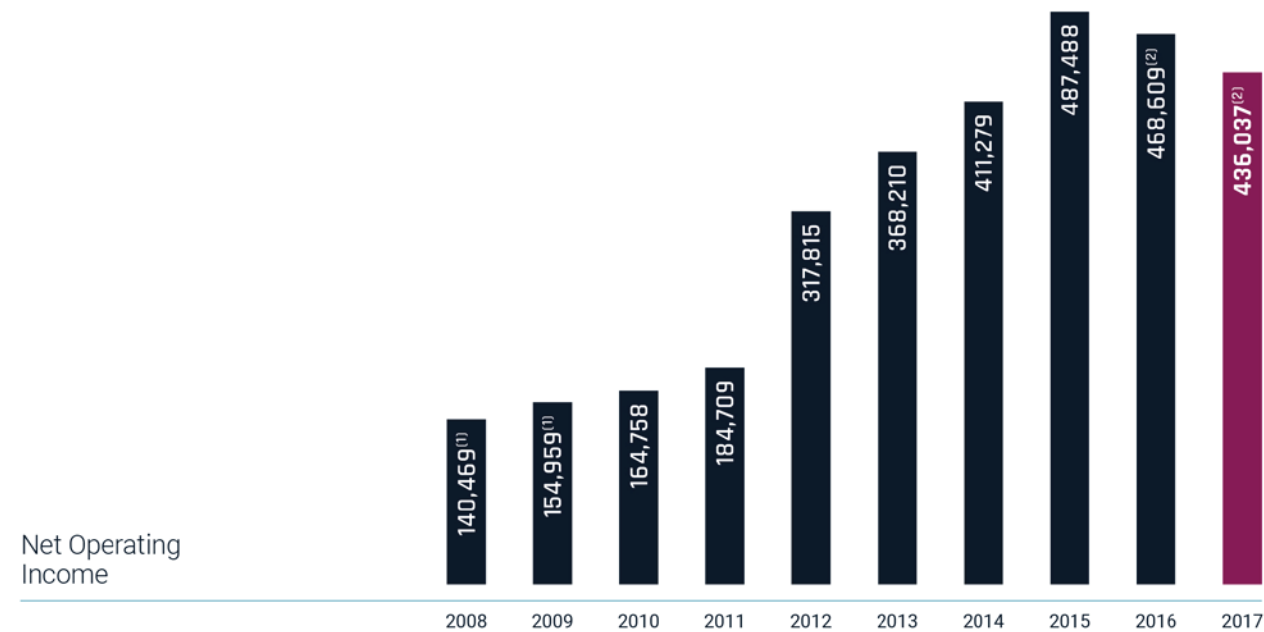
For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
Same property portfolio – Financial statements	<b>108,860</b>	110,721	(1.7)	<b>429,717</b>	440,369	(2.4)
Same property portfolio – Joint ventures	<b>2,029</b>	1,405	44.4	<b>7,054</b>	5,535	27.4
Same property portfolio <sup>(1)</sup> – Cominar's proportionate share <sup>(2)</sup>	<b>110,889</b>	112,126	(1.1)	<b>436,771</b>	445,904	(2.0)
Acquisitions, developments and dispositions – Financial statements	<b>1,627</b>	3,580	(54.6)	<b>6,320</b>	28,240	(77.6)
Acquisitions and developments – Joint ventures	<b>138</b>	84	64.3	<b>495</b>	210	135.7
<b>Net operating income – Cominar's proportionate share<sup>(2)</sup></b>	<b>112,654</b>	115,790	(2.7)	<b>443,586</b>	474,354	(6.5)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2015, except for the properties sold in 2016 and 2017, but does not include the results of properties acquired and those under development in 2016 and 2017.

(2) Non-IFRS financial measure.

Same property net operating income according to Cominar's proportionate share decreased by 2.0% during fiscal 2017 from fiscal 2016. This decrease is due to the decrease in the in-place occupancy rate for the office segment (Western Canada, Atlantic Provinces and Ottawa), and for the retail segment (Western Canada, Ottawa and Montréal), partially offset by an increase in the in-place occupancy rate for the industrial segment as well as a decrease in the average net rent of renewed leases for the retail segment.

The chart below presents Cominar's net operating income based on the consolidated financial statements over the past 10 years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

(2) Decrease in net operating income due mainly to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017.

## SEGMENT NET OPERATING INCOME

Cominar analyzes its segmented results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties.

### BY OPERATING SEGMENT

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
<b>Operating segment</b>						
Office	<b>46,502</b>	46,928	(0.9)	<b>184,270</b>	193,309	(4.7)
Retail	<b>41,503</b>	44,014	(5.7)	<b>162,965</b>	183,961	(11.4)
Industrial and mixed-use	<b>24,649</b>	24,848	(0.8)	<b>96,351</b>	97,084	(0.8)
<b>Net operating income – Cominar's proportionate share<sup>(1)</sup></b>	<b>112,654</b>	115,790	(2.7)	<b>443,586</b>	474,354	(6.5)
<b>Distribution:</b>						
Core markets	<b>94,675</b>	95,371	(0.7)	<b>370,281</b>	387,952	(4.6)
Other markets	<b>17,979</b>	20,419	(11.9)	<b>73,305</b>	86,402	(15.2)
<b>Total</b>	<b>112,654</b>	115,790	(2.7)	<b>443,586</b>	474,354	(6.5)

(1) Non-IFRS financial measure.

The decrease in net operating income according to Cominar’s proportionate share during fiscal 2017 compared to fiscal 2016 is due mainly to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017 and to the non-recurring net proceeds of \$10.7 million obtained in 2016 from the settlement of the claim against Target.

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
<b>Operating segment</b>						
Office	45,778	46,014	(0.5)	182,213	188,498	(3.3)
Retail	41,226	42,536	(3.1)	161,107	166,080	(3.0)
Industrial and mixed-use	23,885	23,576	1.3	93,451	91,326	2.3
<b>Same property net operating income – Cominar’s proportionate share<sup>(1)</sup></b>	<b>110,889</b>	<b>112,126</b>	<b>(1.1)</b>	<b>436,771</b>	<b>445,904</b>	<b>(2.0)</b>
<b>Distribution:</b>						
Core markets	93,119	93,368	(0.3)	365,115	368,549	(0.9)
Other markets	17,770	18,758	(5.3)	71,656	77,355	(7.4)
<b>Total</b>	<b>110,889</b>	<b>112,126</b>	<b>(1.1)</b>	<b>436,771</b>	<b>445,904</b>	<b>(2.0)</b>

(1) Non-IFRS financial measure.

Same property net operating income according to Cominar’s proportionate share decreased by 2.0% in 2017 compared to 2016. This decrease was much larger in our non-core markets with a decrease of 7.4%, while our core markets had a better performance with a slight decrease of 0.9%.

NET OPERATING INCOME – COMINAR’S PROPORTIONATE SHARE

For the periods ended December 31	Quarter		Year	
	2017	2016	2017	2016
<b>Operating segment</b>				
Office	41.3%	40.5%	41.6%	40.8%
Retail	36.8%	38.0%	36.7%	38.7%
Industrial and mixed-use	21.9%	21.5%	21.7%	20.5%
	100.0%	100.0%	100.0%	100.0%



BY GEOGRAPHIC MARKET

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
<b>Core markets</b>						
Québec	26,568	26,388	0.7	104,085	104,576	(0.5)
Montréal	59,354	59,607	(0.4)	232,943	233,603	(0.3)
Ottawa <sup>(1)</sup>	7,197	7,373	(2.4)	28,087	30,370	(7.5)
<b>Net operating income, core markets – Cominar’s proportionate share<sup>(2)</sup></b>	<b>93,119</b>	<b>93,368</b>	<b>(0.3)</b>	<b>365,115</b>	<b>368,549</b>	<b>(0.9)</b>
<b>Other markets</b>						
Toronto	9,450	8,824	7.1	36,039	37,168	(3.0)
Atlantic Provinces	3,974	4,211	(5.6)	16,613	17,384	(4.4)
Western Canada	4,346	5,723	(24.1)	19,004	22,803	(16.7)
<b>Total net operating income – Cominar’s proportionate share<sup>(2)</sup></b>	<b>110,889</b>	<b>112,126</b>	<b>(1.1)</b>	<b>436,771</b>	<b>445,904</b>	<b>(2.0)</b>

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

(2) Non-IFRS financial measure.

Same property net operating income according to Cominar’s proportionate share in the Québec area experienced a strong performance of 5.2% for the industrial segment and a good performance of 3.5% for the office segment, which were offset by a decrease of 5.5% for the retail segment. In the Montréal area, the industrial segment increased by 2.4%, while the retail segment decreased by 1.3% and the office segment decreased by 1.0%. The decrease in same property net operating income according to Cominar’s proportionate share in the Ottawa area is concentrated in the office segment.

The decrease in our non-core market same property net operating income according to Cominar’s proportionate share is due mainly to a strong decrease of 20.1% in Western Canada for the office segment, a decrease of 9.8% in the Greater Toronto Area for the retail segment and a decrease of 10.5% in the Atlantic Provinces for the office segment.



**NET OPERATING INCOME – COMINAR'S PROPORTIONATE SHARE**

For the periods ended December 31	Quarter		Year	
	2017	2016	2017	2016
Québec	24.0%	23.5%	23.9%	23.4%
Montréal	53.6%	52.5%	53.3%	52.0%
Ottawa <sup>(1)</sup>	6.4%	6.4%	6.3%	6.4%
<b>Core markets</b>	<b>84.0%</b>	<b>82.4%</b>	<b>83.5%</b>	<b>81.8%</b>
Toronto	8.3%	8.7%	8.2%	8.9%
Atlantic Provinces	3.8%	4.0%	4.0%	4.4%
Western Canada	3.9%	4.9%	4.3%	4.9%
<b>Overall market</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.



(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

**CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES**

Cominar opted to present its investment properties in the consolidated financial statements according to the fair value model. Fair value is determined based on evaluations performed using management's internal estimates (based on current market data) and by independent real estate appraisers, plus capital expenditures made during the period, if applicable, or on a definitive agreement to sell investment properties. External valuations were carried out by independent national firms holding a recognized and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar's policy on valuing investment properties, during fiscal 2017, management revalued the entire real estate portfolio and determined that a decrease of \$615.1 million (taking into account an upward adjustment of \$1.2 million in the joint ventures) was necessary to adjust the carrying amount of investment properties to their fair value [decrease of \$41.7 million in 2016]. This decrease's proportionate share attributable to our non-core market property portfolio amounted to \$288.1 million, while the proportionate share attributable to our non-core market property portfolio amounted to \$327.0 million. In 2017, the fair value of investment properties derived from external valuations or sources amounted to 28% [14% in 2016] of the total fair value of all investment properties.

The following table presents, in summary form, the changes in fair value for the entire Cominar portfolio as at December 31, 2017:

	Québec \$	Montréal \$	Ottawa \$	Toronto \$	Atlantic Provinces \$	Western Canada \$	Total \$
<b>Operating segment</b>							
Office	(7,030)	(54,411)	(36,365)	(6,961)	(25,864)	(235,114)	<b>(365,745)</b>
Retail	(77,928)	(114,654)	(18,483)	43,822	(45,200)	(20,126)	<b>(232,569)</b>
Industrial and mixed-use	137	(18,382)	N/A	11,754	(9,215)	(1,114)	<b>(16,820)</b>
<b>TOTAL</b>	<b>(84,821)</b>	<b>(187,447)</b>	<b>(54,848)</b>	<b>48,615</b>	<b>(80,279)</b>	<b>(256,354)</b>	<b>(615,134)</b>

The following table presents, in summary form, the changes in fair value as a percentage for the entire Cominar portfolio as at December 31, 2017:

	Québec	Montréal	Ottawa	Toronto	Atlantic Provinces	Western Canada	Total
<b>Operating segment</b>							
Office	(0,1)%	(0,7)%	(0,5)%	(0,1)%	(0,3)%	(3,1)%	<b>(4,8)%</b>
Retail	(1,0)%	(1,5)%	(0,2)%	0,6%	(0,6)%	(0,3)%	<b>(3,0)%</b>
Industrial and mixed-use	—	(0,2)%	N/A	0,1%	(0,1)%	—	<b>(0,2)%</b>
<b>TOTAL</b>	<b>(1,1)%</b>	<b>(2,4)%</b>	<b>(0,7)%</b>	<b>0,6%</b>	<b>(1,0)%</b>	<b>(3,4)%</b>	<b>(8,0)%</b>

Internally appraised investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method and/or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

*Capitalized net operating income method* – Under this method, capitalization rates are applied to standardized net operating income in order to comply with current valuation standards. The standardized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. The key factor is the capitalization rate for each property or property type. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include different capitalization rates by property type and geographical area.

*Discounted cash flow method* – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

To the extent that the capitalization rate ranges change from one reporting period to the next, or if another rate within the provided ranges is more appropriate than the rate previously used, the fair value of investment properties increases or decreases accordingly. The change in the fair value of investment properties is reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2017 of 0.1% in the applied capitalization rates for the entire real estate portfolio, except for the investment properties held for sale, would result in a decrease or increase of approximately \$103.4 million [\$135.3 million in 2016] in the fair value of its investment properties.

Capitalization and discount rates used in both the internal and external valuations are consistent.

#### WEIGHTED AVERAGE CAPITALIZATION AND DISCOUNT RATES

As at December 31	2017						2016
	Québec	Montréal	Ontario	Toronto <sup>(1)</sup>	Atlantic Provinces <sup>(1)</sup>	Western Canada <sup>(1)</sup>	Weighted average rate
<b>Office properties</b>							
Capitalized net operating income method							
Capitalization rate	6.1%	6.2%	6.4%	N/A	N/A	N/A	6.2%
Discounted cash flow method							
Overall capitalization rate	5.3%	N/A	6.0%	N/A	N/A	N/A	5.4%
Terminal capitalization rate	5.5%	N/A	6.5%	N/A	N/A	N/A	5.6%
Discount rate	6.0%	N/A	7.3%	N/A	N/A	N/A	6.7%
<b>Retail properties</b>							
Capitalized net operating income method							
Capitalization rate	6.4%	6.0%	5.9%	N/A	N/A	N/A	6.1%
Discounted cash flow method							
Overall capitalization rate	6.8%	5.4%	N/A	N/A	N/A	N/A	5.9%
Terminal capitalization rate	7.0%	5.5%	N/A	N/A	N/A	N/A	6.1%
Discount rate	7.6%	5.9%	N/A	N/A	N/A	N/A	6.9%
<b>Industrial and mixed-use properties</b>							
Capitalized net operating income method							
Capitalization rate	7.0%	6.7%	N/A	N/A	N/A	N/A	6.8%
Discounted cash flow method							
Overall capitalization rate	6.6%	6.4%	N/A	N/A	N/A	N/A	N/A
Terminal capitalization rate	N/A	6.5%	N/A	N/A	N/A	N/A	N/A
Discount rate	N/A	7.2%	N/A	N/A	N/A	N/A	N/A
<b>Total</b>							
<b>Capitalized net operating income method</b>							
<b>Capitalization rate</b>	6.4%	6.2%	6.3%	N/A	N/A	N/A	6.2%
<b>Discounted cash flow method</b>							
<b>Overall capitalization rate</b>	6.0%	5.5%	6.0%	N/A	N/A	N/A	5.6%
<b>Terminal capitalization rate</b>	6.0%	5.7%	6.5%	N/A	N/A	N/A	5.8%
<b>Discount rate</b>	6.5%	6.1%	7.3%	N/A	N/A	N/A	6.7%

(1) For the year ended December 31, 2017, all the properties in the Toronto Area, the Atlantic Provinces and Western Canada have been valued according to a definitive agreement to sell these investment properties.

#### FINANCE CHARGES

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
Interest on mortgages payable	22,329	22,152	0.8	89,007	87,780	1.4
Interest on debentures	18,298	20,898	(12.4)	77,952	83,456	(6.6)
Interest on bank borrowings	5,696	2,091	172.4	14,867	9,747	52.5
Net amortization of premium and discount on debenture issues	(124)	(203)	(38.9)	(691)	(801)	(13.7)
Amortization of deferred financing costs and other costs	760	898	(15.4)	3,454	3,771	(8.4)
Amortization of fair value adjustments on assumed indebtedness	(1,385)	(1,468)	(5.7)	(5,577)	(6,501)	(14.2)
Less: Capitalized interest <sup>(1)</sup>	(2,735)	(1,886)	45.0	(10,260)	(6,807)	50.7
<b>Total finance charges – Financial statements</b>	<b>42,839</b>	<b>42,482</b>	<b>0.8</b>	<b>168,752</b>	<b>170,645</b>	<b>(1.1)</b>
Percentage of operating revenues	20.7%	20.2%		20.2%	19.7%	
Weighted average interest rate on total debt				4.10%	4.23%	

(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.

The decrease in finance charges for the year is mainly due to an increase in capitalized interest on properties under development and on major revitalization projects for income properties.

#### TRUST ADMINISTRATIVE EXPENSES

During fiscal 2017, Trust administrative expenses amounted to \$26.0 million, accounting for 3.1% of operating revenues, compared to 1.9% during fiscal 2016. This increase resulted from a \$5.4 million retirement allowance following the end of the chief executive officer's employment, an increase in compensation expense related to the long-term incentive plan of \$1.1 million and in total payroll due to the increase in personnel in the leasing department, as well as in sponsorships and representation costs. Excluding the retirement allowance following the retirement of the chief executive officer, Trust administrative expenses would have amounted to \$20.6 million, 2.5% of operating revenues.

#### DERECOGNITION OF GOODWILL

During the last quarter of 2017, Cominar transferred to investment properties held for sale its entire non-core market property portfolio. In December 2017, Cominar entered into a definitive agreement to sell this investment property portfolio for total gross proceeds of \$1.14 billion. A portion of goodwill, in the amount of \$27.0 million, associated with this property portfolio has been allocated to the assets held for sale and then has been subject to derecognition. The derecognized goodwill was distributed as follows: \$18.6 million for the office segment, \$6.6 million for the retail segment and \$1.8 million for the industrial and mixed-use segment.

At year-end, Cominar conducted an impairment test on the \$140.0 million goodwill balance presented in the balance sheet and concluded that, at that date, there was no impairment loss.



## NET INCOME

For the periods ended December 31	Quarter		Year	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net income (net loss)	(581,256)	26,341	(391,725)	241,738
Net income (net loss) per unit (basic and diluted)	(3.14)	0.14	(2.13)	1.40
Weighted average number of units outstanding (basic)	185,289,552	181,566,067	184,213,583	172,131,831
Weighted average number of units outstanding (diluted) <sup>(1)</sup>	185,289,552	181,735,991	184,213,583	172,505,427

(1) The calculation of the diluted weighted average number of units outstanding used to calculate the net loss per unit for the year ended December 31, 2017 does not take into account the effect of the conversion of options and deferred units due to the fact that they are antidilutive.

Net loss for fiscal 2017 amounted to \$391.7 million, compared to a net income of \$241.7 million for fiscal 2016. This decrease is due mainly to the \$569.7 million increase in the change in fair value of investment properties compared with fiscal 2016, the derecognition of goodwill of \$27.0 million and the \$32.6 million decrease in net operating income previously explained.

## ADJUSTED NET INCOME

Adjusted net income is not an IFRS financial measure. The calculation method used by Cominar may differ from those used by other entities. Cominar calculates an adjusted net income to eliminate the change in fair value of investment properties and the derecognition of goodwill, which are non-monetary and have no impact on cash flows, as well as to eliminate a non-recurring item.

For the periods ended December 31	Quarter			Year		
	2017	2016		2017	2016	
	\$	\$	% Δ	\$	\$	% Δ
Net income (net loss)	(581,256)	26,341	(2,306.7)	(391,725)	241,738	(262.0)
Change in fair value of investment properties – Cominar's proportionate share <sup>(3)</sup>	617,418	41,655	1,382.2	615,134	41,655	1,376.7
Derecognition of goodwill <sup>(4)</sup>	26,989	—	100.0	26,989	—	100.0
Non-recurring items <sup>(1)(2)</sup>	5,400	—	100.0	5,400	(10,724)	150.4
Adjusted net income <sup>(3)</sup>	68,551	67,996	0.8	255,798	272,669	(6.2)
Adjusted net income per unit (diluted) <sup>(3)</sup>	0.37	0.37	—	1.39	1.58	(12.0)
Weighted average number of units outstanding (diluted)	185,493,800	181,735,991		184,356,722	172,505,427	

(1) In 2017, a retirement allowance was allocated following the end of the Chief Executive Officer's employment.

(2) In 2016, net proceeds of \$10.7 million were obtained in settlement of the claim against Target Canada.

(3) Non-IFRS financial measure.

(4) Share of goodwill associated with investment properties held for sale.

Adjusted net income for the year decreased by \$16.9 million from the year 2016, due mainly to the decrease in net operating income following the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Although the concepts of funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not IFRS financial measures, they are widely used in the real estate investment trust industry.

REALpac defines FFO as net income (calculated in accordance with IFRS), adjusted for, among other things, changes in the fair value of investment properties, deferred taxes, derecognition of goodwill, initial and re-leasing salary costs, adjustments relating to the accounting of joint ventures under the equity method and transaction costs incurred upon a business combination.

During the first quarter of 2017, REALpac published a White Paper on its AFFO definition. REALpac defines AFFO as FFO net of rental revenue less leases derived from the recognition of leases on a straight-line basis, capital expenditures for maintaining the ability to generate income and leasing costs. Cominar adopted this new AFFO definition and adjusted the figures of comparative periods accordingly.

FFO and AFFO are not a substitute for net income established in accordance with IFRS when measuring Cominar's performance. While our methods of calculating FFO and AFFO comply with REALpac recommendations, they may differ from and not be comparable to those used by other entities.

The fully diluted weighted average number of units outstanding used for the calculation of FFO and AFFO takes into account the potential issuance of units under the long-term incentive plan, when dilutive.

The following table presents a reconciliation of net income (net loss), as determined in accordance with IFRS, and FFO and AFFO:

### FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

For the periods ended December 31	Quarter		Year	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Net income (net loss)</b>	<b>(581,256)</b>	26,341	<b>(391,725)</b>	241,738
Deferred income taxes	(5,739)	108	(5,034)	838
Initial and re-leasing salary costs	882	797	3,532	3,095
Change in fair value of investment properties <sup>(1)</sup>	617,418	41,655	615,134	41,655
Capitalizable interest on properties under development – joint ventures	198	522	793	1,968
Derecognition of goodwill <sup>(6)</sup>	26,989	—	26,989	—
<b>Funds from operations<sup>(1)(5)</sup></b>	<b>58,492</b>	69,423	<b>249,689</b>	289,294
Non-recurring items <sup>(2)(3)</sup>	5,400	—	5,400	(10,724)
<b>Recurring funds from operations<sup>(1)(5)</sup></b>	<b>63,892</b>	69,423	<b>255,089</b>	278,570
Provision for leasing costs	(6,583)	(6,390)	(25,820)	(24,090)
Recognition of leases on a straight-line basis <sup>(1)</sup>	(1,554)	(806)	(4,027)	(4,044)
Capital expenditures – maintenance of rental income generating capacity	(4,127)	(3,014)	(9,415)	(8,498)
<b>Recurring adjusted funds from operations<sup>(1)(5)</sup></b>	<b>51,628</b>	59,213	<b>215,827</b>	241,938
<b>Per unit information:</b>				
Recurring funds from operations (FD) <sup>(4)(5)</sup>	0.34	0.38	1.38	1.61
Recurring adjusted funds from operations (FD) <sup>(4)(5)</sup>	0.28	0.33	1.17	1.40
Weighted average number of units outstanding (FD) <sup>(4)</sup>	185,493,800	181,735,991	184,356,722	172,505,427
Payout ratio of recurring adjusted funds from operations <sup>(2)</sup>	101.8%	111.4%	113.9%	105.0%

(1) Including Cominar's proportionate share in joint ventures.

(2) In 2017, a retirement allowance was allocated following the end of the Chief Executive Officer's employment.

(3) In 2016, net proceeds of \$10.7 million were obtained in settlement of the claim against Target Canada.

(4) Fully diluted.

(5) Non-IFRS financial measure.

(6) Share of goodwill associated with investment properties held for sale.

The provision for leasing costs which is deducted in computing the adjusted funds from operations represents the amortization, over the terms of the leases, of leasehold improvements and initial direct costs, mostly brokerage fees incurred when negotiating and preparing leases. This allows for better reconciliation of the investments incurred with the operating revenues generated over the terms of the leases. During the fiscal year ended December 31, 2017, the actual costs incurred by Cominar were \$39.2 million in leasehold improvements and \$13.1 million in initial direct costs that will be amortized over the terms of the related leases, while the provision for leasing costs amounted to \$25.8 million.

Recurring FFO for fiscal 2017 decreased by \$23.5 million from fiscal 2016, due mainly to the \$16.9 million decrease in adjusted net income explained above.

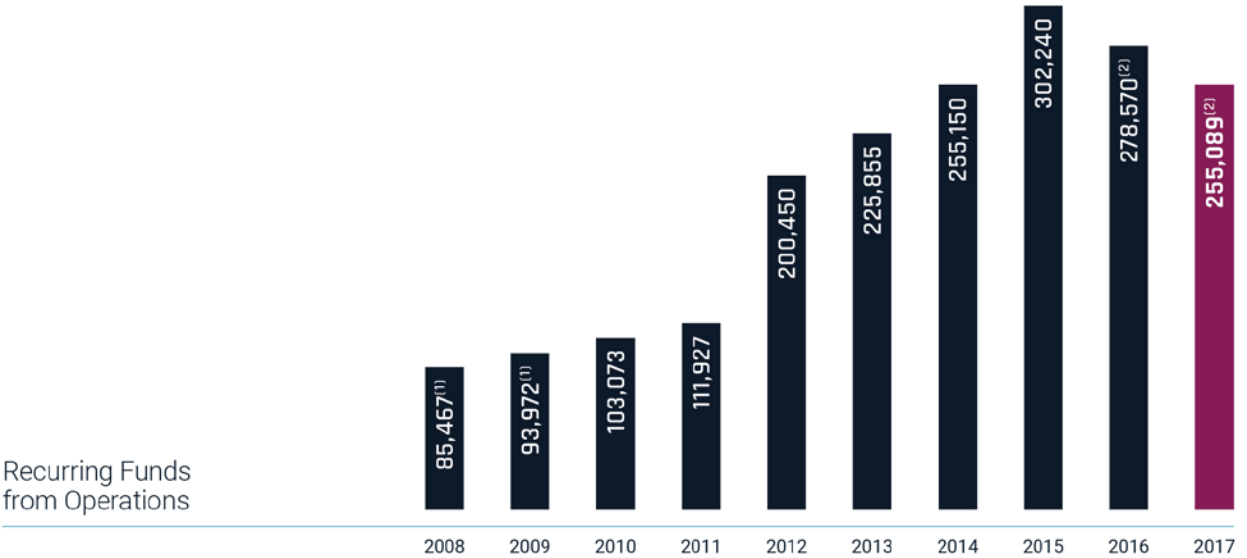
Recurring AFFO for fiscal 2017 decreased by \$26.1 million compared with fiscal 2016, due mainly to the \$16.9 million decrease in adjusted net income explained above.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Recurring funds from operations per unit (FD) <sup>(1)</sup>	1.38	1.61	1.79	1.88	1.80

(1) Fully diluted.

The chart below presents Cominar’s recurring funds from operations over the past 10 years.



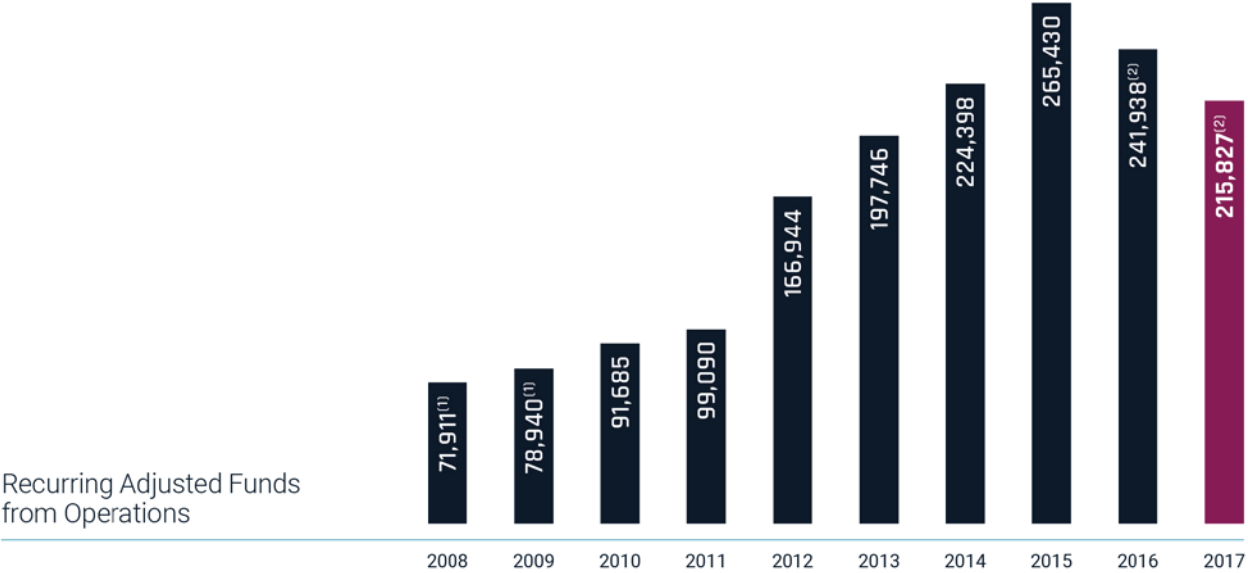
(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.  
(2) Decrease in recurring funds from operations due mainly to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Recurring adjusted funds from operations per unit (FD) <sup>(1)</sup>	1.17	1.40	1.57	1.65	1.58

(1) Fully diluted.

The chart below presents Cominar’s recurring adjusted funds from operations over the past 10 years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.  
(2) Decrease in recurring adjusted funds from operations due mainly to the dispositions of income properties for a total amount of \$221.4 million completed in 2016 and 2017.



## ADJUSTED CASH FLOWS FROM OPERATIONS

During the first quarter of 2017, REALpac published a White Paper on the determination of adjusted cash flows from operations (“ACFO”). The ACFO are intended to be used as a measure of a company’s ability to generate stable cash flows. The ACFO do not replace the cash flows provided by operating activities as per the consolidated financial statements prepared in accordance with IFRS. Our method to determine the ACFO complies with REALpac recommendations but may differ from and not be comparable to that used by other entities.

The fully diluted weighted average number of units outstanding for the calculation of ACFO takes into account the potential issuance of units under the long-term incentive plan, when dilutive.

The following table presents a reconciliation between the cash flows provided by operating activities as per the consolidated financial statements and the recurring ACFO:

For the periods ended December 31	Quarter		Year	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Cash flows provided by operating activities as per the consolidated financial statements</b>	<b>81,471</b>	102,031	<b>233,225</b>	284,090
Adjustments – investments in joint ventures <sup>(1)</sup>	<b>1,138</b>	(22)	<b>3,720</b>	2,061
Provision for leasing costs	<b>(6,583)</b>	(6,390)	<b>(25,820)</b>	(24,090)
Initial and re-leasing salary costs	<b>882</b>	797	<b>3,532</b>	3,095
Changes in adjusted non-cash working capital items <sup>(2)</sup>	<b>(27,011)</b>	(34,108)	<b>2,447</b>	(5,445)
Capital expenditures – maintenance of rental income generating capacity	<b>(4,127)</b>	(3,014)	<b>(9,415)</b>	(8,498)
Amortization of deferred financing costs and other costs	<b>(636)</b>	(681)	<b>(2,763)</b>	(2,970)
Amortization of fair value adjustments on assumed mortgages payable	<b>1,385</b>	1,468	<b>5,577</b>	6,501
Capitalizable interest on properties under development – joint ventures	<b>198</b>	522	<b>793</b>	1,968
<b>Adjusted cash flows from operations<sup>(1)(7)</sup></b>	<b>46,717</b>	60,603	<b>211,296</b>	256,712
Non-recurring items <sup>(3)(4)</sup>	<b>5,400</b>	—	<b>5,400</b>	(10,724)
<b>Recurring adjusted cash flows from operations<sup>(1)(7)</sup></b>	<b>52,117</b>	60,603	<b>216,696</b>	245,988
<b>Per unit information:</b>				
Recurring adjusted cash flows from operations (FD) <sup>(5)(7)</sup>	<b>0.28</b>	0.33	<b>1.18</b>	1.43
Weighted average number of units outstanding (FD) <sup>(5)</sup>	<b>185,493,800</b>	181,735,991	<b>184,356,722</b>	172,505,427
Payout ratio <sup>(5)</sup>	<b>101.8%</b>	111.4%	<b>112.9%</b>	102.8%
Cash payout ratio <sup>(5)(6)</sup>	<b>101.8%</b>	88.1%	<b>94.7%</b>	95.3%

(1) Including Cominar’s proportionate share in joint ventures.

(2) Includes working capital changes that, in management’s view and based on the REALpac February 2017 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to prepaid realty taxes and insurance, interest payable and interest receivable, sales and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.

(3) In 2017, a retirement allowance was allocated following the end of the Chief Executive Officer’s employment.

(4) In 2016, net proceeds of \$10.7 million were obtained in settlement of the claim against Target Canada.

(5) Fully diluted.

(6) The cash payout ratio corresponds to the cash distribution per unit divided by the fully diluted recurring adjusted cash flows from operations per unit.

(7) Non-IFRS financial measure.

## DISTRIBUTIONS

Cominar is governed by a Contract of Trust whereby the trustees, under the discretionary power attributed to them, intend to distribute a portion of its distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on the disposition of investment properties and certain other items not affecting cash, if applicable.

### DISTRIBUTIONS TO UNITHOLDERS

For the periods ended December 31	Quarter			Year		
	2017	2016	% Δ	2017	2016	% Δ
	\$	\$		\$	\$	
Cash distributions	<b>52,792</b>	53,119	(0.6)	<b>206,753</b>	236,000	(12.4)
Distributions reinvested under the distribution reinvestment plan <sup>(1)</sup>	—	14,037	(100.0)	<b>39,770</b>	18,456	115.5
Distributions to unitholders	<b>52,792</b>	67,156	(21.4)	<b>246,523</b>	254,456	(3.1)
Percentage of distributions reinvested	—	20.9%		<b>16.1%</b>	7.3%	
Per unit distributions	<b>0.2850</b>	0.3675		<b>1.3325</b>	1.4700	

(1) This amount includes units to be issued under the plan upon payment of distributions.

Distributions to unitholders for fiscal 2017 totalled \$246.5 million, down 3.1% from fiscal 2016, due to the decrease in distribution per unit announced on August 3, 2017. The percentage of distributions reinvested under the distribution reinvestment plan amounted to 16.1% on average, or \$39.8 million, for fiscal 2017 and the cash distributions decreased by 12.4% compared with fiscal 2016.

On August 3, 2017, Cominar announced the suspension of the Distribution Reinvestment Plan and the decrease in the monthly distribution from \$0.1225 per unit to \$0.095 per unit, beginning with the distribution of August 2017, which was payable in September 2017.

In accordance with CSA guidelines, Cominar also provides the following table to allow readers to assess sources of cash distributions and how they reconcile to net income:

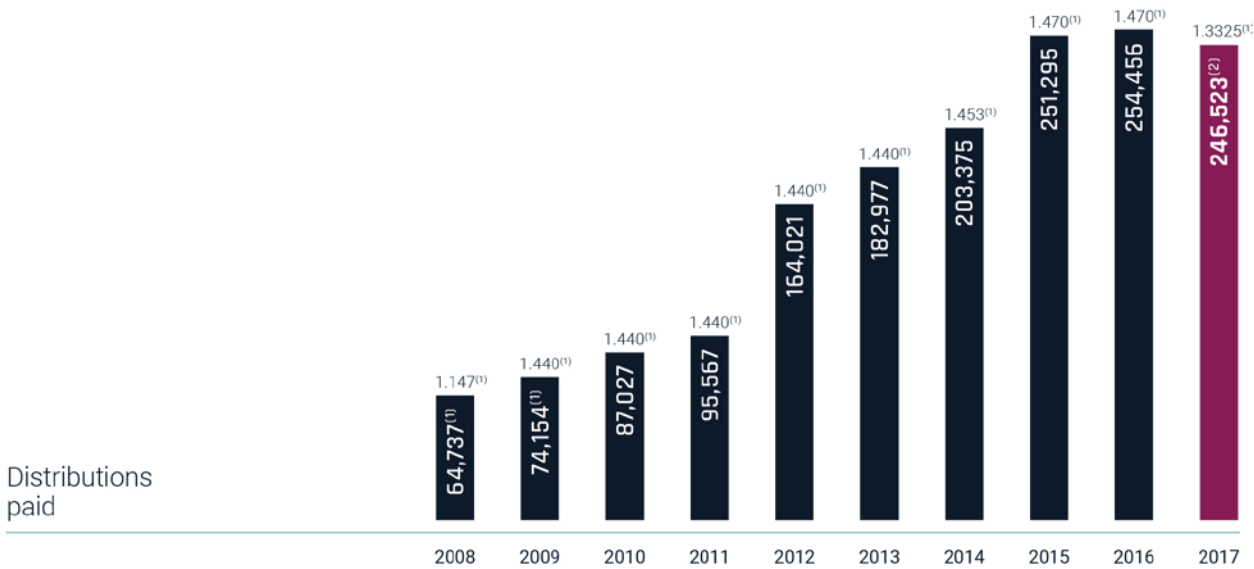
For the periods ended December 31	2017	2017	2016	2015
	(3 months)	(12 months)	(12 months)	(12 months)
	\$	\$	\$	\$
<b>Net income (net loss)</b>	<b>(581,256)</b>	<b>(391,725)</b>	241,738	272,434
<b>Cash flows provided by operating activities as per the consolidated financial statements</b>	<b>81,471</b>	<b>233,225</b>	284,090	263,942
Distributions to unitholders	<b>52,792</b>	<b>246,523</b>	254,456	251,295
Surplus (deficit) of cash flows provided by operating activities compared with distributions payable to unitholders	<b>28,679</b>	<b>(13,298)</b>	29,634	12,647

For the three-month period ended December 31, 2017, cash flows provided by operating activities presented a \$28.7 million surplus over distributions to unitholders. For the fiscal year ended December 31, 2017, cash flows provided by operating activities showed a deficit of \$13.3 million compared with distributions to unitholders. This deficit was more than offset by the \$39.8 million distributions reinvested under the distribution reinvestment plan.

During the last two quarters of 2017, our cash flows provided by operating activities exceeded the distributions to unitholders, and we expect that it will remain this way in the future.

For fiscal years ended December 31, 2016 and earlier, cash flows provided by operating activities have always been sufficient to fund distributions to unitholders.

The chart below presents Cominar’s distributions over the past 10 years.



(1) Amount of distribution in dollars per unit.  
(2) On August 3, 2017, Cominar decreased the monthly distribution to \$0.095 per unit, or \$1.14 per unit on an annualized basis.

## LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2017, Cominar generated \$233.2 million in cash flows provided by operating activities. Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the monthly payment of distributions, using the funds from operations, refinancing of mortgages payable, debenture or unit issuance, amounts available on its credit facility and cash and cash equivalents.

On August 3, 2017, Cominar decreased the monthly distribution from \$0.1225 per unit to \$0.095 per unit, or \$1.14 per unit on an annualized basis.

### MORTGAGES PAYABLE

As at December 31, 2017, the nominal balance of mortgages payable was \$2,153.9 million, up \$107.9 million from \$2,046 million as at December 31, 2016. This increase is explained by contracted mortgages payable of \$321.8 million at a weighted average contractual rate of 3.27%, by the repayments of balances at maturity of \$150.1 million at a weighted average contractual rate of 4.94% and by the monthly repayments of capital of \$63.7 million. As at December 31, 2017, the weighted average contractual rate was 4.22%, down 15 basis points from 4.37% as at December 31, 2016. As at December 31, 2017, the effective weighted average interest rate was 3.95%, compared to 4.09% as at December 31, 2016.

Cominar’s mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at December 31, 2017, the residual weighted average term of mortgages payable was 4.8 years, compared to 5.5 years as at December 31, 2016.

The following table shows mortgage contractual maturity dates for the specified years:

### CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal \$	Balances at maturity \$	Total \$	Weighted average contractual rate
2018	48,974	592,612 <sup>(1)</sup>	641,586	4.65%
2019	44,700	4,141	48,841	6.18%
2020	46,299	82,013	128,312	4.37%
2021	45,618	89,437	135,055	5.48%
2022	40,145	184,248	224,393	3.35%
2023	35,598	254,650	290,248	4.56%
2024	26,947	181,733	208,680	4.08%
2025	19,940	29,548	49,488	3.55%
2026	8,310	345,685	353,995	3.51%
2027	3,931	50,910	54,841	3.85%
2028 and thereafter	6,807	11,650	18,457	4.19%
Total	327,269	1,826,627	2,153,896	4.22%

(1) Since December 31, 2017, Cominar repaid mortgages payable for \$8.7 million and renewed a mortgage payable of \$210.6 million that had matured. In addition, mortgages payable totalling \$276.4 million will be assumed by the purchaser or repaid by Cominar on the closing of the sale of investment properties held for sale expected in March 2018.

### SENIOR UNSECURED DEBENTURES

The following table presents the features of Cominar’s senior unsecured debentures:

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at December 31, 2017 \$
Series 2	December 2012 <sup>(1)</sup>	4.23%	4.37%	June 4 and December 4	December 2019	300,000
Series 3	May 2013	4.00%	4.24%	May 2 and November 2	November 2020	100,000
Series 4	July 2013 <sup>(2)</sup>	4.941%	4.81%	July 27 and January 27	July 2020	300,000
Series 7	September 2014	3.62%	3.70%	December 21 and June 21	June 2019	300,000
Series 8	December 2014	4.25%	4.34%	June 8 and December 8	December 2021	200,000
Series 9	June 2015	4.164%	4.25%	June 1 and December 1	June 2022	300,000
Series 10	May 2016	4.247%	4.34%	May 23 and November 23	May 2023	225,000
Weighted average interest rate		4.23%	4.29%			
Total						1,725,000

(1) Re-opened in February 2013 (\$100.0 million).  
(2) Re-opened in January 2014 (\$100.0 million) and March 2014 (\$100.0 million).

On June 15, 2017, Cominar reimbursed at maturity its Series 1 senior unsecured debentures totalling \$250.0 million and bearing interest at 4.274% using its unsecured revolving operating and acquisition credit facility.

As at December 31, 2017, the residual weighted average term of senior unsecured debentures was 3.2 years.



## BANK BORROWINGS

As at December 31, 2017, Cominar had an unsecured revolving operating and acquisition credit facility of up to \$700.0 million maturing in August 2019. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2017. As at December 31, 2017, bank borrowings totalled \$620.4 million and cash available was \$79.6 million.

Cominar's management intends to use the \$1.14 billion proceeds from the sale of investment properties held for sale to repay its operating and acquisition credit facility.

## DEBT SUMMARY

As at December 31	2017			2016		
		Weighted average contractual rate	Residual weighted average term		Weighted average contractual rate	Residual weighted average term
	\$			\$		
Mortgages payable	2,150,126	4.22%	4.8 years	2,048,009	4.37%	5.5 years
Debentures	1,721,577	4.23%	3.2 years	1,970,566	4.23%	3.7 years
Bank borrowings	620,366	3.30%	1.7 year	332,121	2.81%	2.6 years
Total debt	4,492,069	4.10%	3.7 years	4,350,696	4.23%	4.5 years

As at December 31, 2017, the weighted average interest rate on Cominar's total debt was 4.10%, down 13 basis points from December 31, 2016.

## DEBT RATIO

The following table presents the changes in the debt ratio:

As at December 31	2017	2016
	\$	\$
Cash and cash equivalents	(6,928)	(9,853)
Mortgages payable	2,150,126	2,048,009
Debentures	1,721,577	1,970,566
Bank borrowings	620,366	332,121
Total net debt	4,485,141	4,340,843
Total assets less cash and cash equivalents	7,818,065	8,277,932
Debt ratio <sup>(1)(2)</sup>	57.4%	52.4%

(1) The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and debentures, divided by total assets less cash and cash equivalents.

(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

As at December 31, 2017, the 57.4% debt ratio increased by 5.0% from December 31, 2016. This increase is due mainly to the \$616.4 million change in fair value of investment properties and to the derecognition of goodwill of \$27.0 million that have increased the debt ratio by 4.4%. Cominar's management intends to use the \$1.14 billion proceeds from the sale of investment properties held for sale to reduce the debt ratio. This transaction is expected to close at the end of March 2018.

## INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at December 31, 2017, the annualized interest coverage ratio stood at 2.43:1 [2.65:1 as at December 31, 2016], evidence of its capacity to meet its interest payment obligations.

## UNENCUMBERED ASSETS AND UNSECURED DEBTS

The following table presents information on Cominar's unencumbered income properties and unsecured debts:

As at December 31	2017		2016	
	Number of properties	Fair value of properties (\$)	Number of properties	Fair value of properties (\$)
Unencumbered income properties	334	3,347,839	322	3,736,476
Unencumbered assets to unsecured debt ratio <sup>(1)(2)</sup>		1,43:1		1.62:1
Unsecured debts-to-total-debt ratio <sup>(2)(3)</sup>		52.1%		53.0%

(1) Fair value of unencumbered income properties divided by the unsecured debt.

(2) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.

(3) Unsecured debts divided by total debt.

As at December 31, 2017, Cominar owned unencumbered income properties whose fair value was approximately \$3.3 billion. The unencumbered assets to unsecured debt ratio stood at 1.43:1, whereas the restrictive covenant on debentures requires a ratio of 1.30:1 or more.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

Cominar has no off-balance sheet arrangements that have or are likely to have a material impact on its results of operations or its financial position, including its cash position and sources of financing.

Cominar has no significant contractual commitments other than those arising from its long-term debt and payments due under emphyteutic leases on land held for income properties.

## FINANCIAL INSTRUMENTS

### CLASSIFICATION AND FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments. The hierarchy reflects the relative weight of inputs used in the valuation of financial assets and liabilities at fair value. The levels in the hierarchy are:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

Cominar's policy is to recognize transfers between hierarchy levels on the date of changes in circumstances that caused the transfer. There was no transfer between hierarchy levels in fiscal years 2017 and 2016.

The fair value of cash and cash equivalents, mortgages receivable, accounts receivable, accounts payable and accrued liabilities and bank borrowings approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

Financial liabilities and their carrying amounts and fair values, when the fair values do not approximate the carrying amounts, are classified as follows:

As at December 31		2017		2016	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
<b>Financial liabilities</b>					
Mortgages payable	2	2,150,126	2,153,043	2,048,009	2,104,025
Debentures	2	1,721,577	1,739,278	1,970,566	2,019,802

RISK MANAGEMENT

The main risks arising from Cominar’s financial instruments are credit risk, interest rate risk and liquidity risk. The strategy for managing these risks is summarized below.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.

Cominar mitigates credit risk via segment and geographic portfolio diversification, staggered lease maturities, and diversification of revenue sources through a varied tenant mix as well as by avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of the operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified retail client base consisting of about 5,700 clients occupying an average of approximately 7,000 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.8%, 4.7% and 4.2% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.8% of operating revenues come from government agencies, representing approximately 100 leases.

Cominar regularly assesses its accounts receivable and records a provision for doubtful accounts when there is a risk of non-collection.

The maximum credit risk to which Cominar is exposed corresponds to the carrying amount of its accounts receivable and cash and cash equivalents position.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cominar’s objective in managing this risk is to minimize the net impact on future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its borrowings over several years and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for the receivables bearing interest, and accounts payable and accrued liabilities do not bear interest.

Almost all mortgages payable and all debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings, which bear interest at variable rates.

As required under IFRS, a 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have resulted in a \$1.2 million increase or decrease in Cominar’s net income for the year ended December 31, 2017 [\$1.5 million in 2016].

Liquidity risk

Liquidity risk is the risk that Cominar will be unable to meet its financial obligations as they come due.

Cominar manages this risk by the management of its capital structure, the continuous monitoring of current and projected cash flows and adherence to its capital management policy.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2017 are as follows:

Cash flows			
	Under one year	One to five years	Over five years
	\$	\$	\$
Mortgages payable	724,595	785,781	1,095,321
Debentures	72,921	1,663,211	234,556
Bank borrowings	22,016	633,016	—
Accounts payable and accrued liabilities <sup>(1)</sup>	106,863	—	—

(1) Excludes consumption taxes and other non-financial liabilities

PROPERTY PORTFOLIO

The following table presents information on the property portfolio, including Cominar’s proportionate share:

As at December 31	2017	2016	
	\$	\$	% Δ
Income properties – Cominar’s proportionate share <sup>(1)</sup>	6,402,858	7 775 331	(17.7)
Properties under development and land held for future development – Cominar’s proportionate share <sup>(1)</sup>	145,253	195,755	(25.8)
Investment properties held for sale	1,143,500	143,130	698.9
Number of income properties	525	539	
Leasable area (sq. ft.)	44,370,000	44,919,000	

(1) Non-IFRS financial measure.

SUMMARY BY OPERATING SEGMENT

As at December 31	2017		2016	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	136	14,830,000	134	14,522,000
Retail	154	12,075,000	168	12,372,000
Industrial and mixed-use	235	17,465,000	237	18,025,000
Total	525	44,370,000	539	44,919,000



SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2017		2016	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Québec	127	10,253,000	129	10,139,000
Montréal	282	25,420,000	288	25,254,000
Ottawa <sup>(1)</sup>	20	2,476,000	21	2,516,000
Total core markets	429	38,149,000	438	37,909,000
Toronto	24	2,466,000	27	3,187,000
Atlantic Provinces	58	2,647,000	60	2,715,000
Western Canada	14	1,108,000	14	1,108,000
Total overall market	525	44,370,000	539	44,919,000

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

ACQUISITIONS, INVESTMENTS AND DISPOSITIONS

Over the years, Cominar has achieved much of its growth through the acquisition of companies and high-quality properties based on strict selection criteria, while maintaining an appropriate allocation among its three business segments, namely, office buildings, retail buildings and industrial and mixed-use properties, and geographic diversification of its property portfolio.

ACQUISITIONS OF ADDITIONAL OWNERSHIP INTEREST IN JOINT VENTURES

Société en commandite Chaudière-Duplessis (IKEA site)

As part of the site development for the new IKEA store in Québec, on January 13, 2017 Cominar acquired from Groupe Dallaire an additional 25% ownership interest in a joint venture for an amount of \$10.0 million, increasing its interest from 75% to 100%, in order to consolidate its ownership. On that date, Société en commandite Chaudière-Duplessis became a wholly owned subsidiary of Cominar. The fair value of the net assets acquired for an amount of \$10.0 million was established by a national independent appraiser holding a recognized and relevant professional qualification, as well as recent experience with respect to the geographical location and the category of the investment properties being appraised. This acquisition was submitted for analysis and approval by the investment committee made up of independent trustees, which recommended it to the Board of Trustees, which, in turn, endorsed it.

Société en commandite Complexe Jules-Dallaire

On May 31, 2017, Cominar acquired from Groupe Dallaire an additional 25% ownership interest in Société en commandite Complexe Jules-Dallaire for an amount of \$21.2 million, increasing its interest to 75%, in order to consolidate its ownership. The fair value of the net assets acquired for an amount of \$21.2 million was established by a national independent appraiser holding a recognized and relevant professional qualification, as well as recent experience with respect to the geographical location and the category of the investment properties being appraised. This acquisition was submitted for analysis and approval by the investment committee made up of independent trustees, which recommended it to the Board of Trustees, which, in turn, endorsed it. The capitalization rate used to estimate the fair value of this investment property is 5.25%.

TRANSFERS TO INCOME PROPERTIES

During the fourth quarter of 2017, Cominar transferred two properties from properties under development to income properties. The first property, a \$31.3 million office building with a leasable area of 119,000 square feet, is located at 3055 Saint-Martin Boulevard, in Laval and has an occupancy rate of 95.0%. This property is part of the Centropolis complex in Laval. Its capitalization rate is 9.0%. The second property, a \$11.3 million industrial and mixed-use building with a leasable area of 75,000 square feet, is located in Lévis and has an occupancy rate of 67%. Its estimated capitalization rate is 8.1%.

DISPOSITIONS OF INCOME PROPERTIES

On July 19, 2017, Cominar completed the sale of a retail property located in Ontario, for a total amount of \$0.9 million, at a capitalization rate of 5.2%.

On July 27, 2017, Cominar completed the sale of a retail property located in the Granby area, Quebec, for a total amount of \$1.0 million, at a capitalization rate of 7.3%.

On August 17, 2017, Cominar completed the sale of a retail property located in Chicoutimi, Quebec, for a total amount of \$2.3 million, at a capitalization rate of 7.9%.

On December 8, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Montréal area, Quebec, for a total amount of \$4.0 million, at a capitalization rate of 5.5%.

The net sale proceeds of these properties were used to repay a portion of the credit facility.

DISPOSITIONS OF INVESTMENT PROPERTIES HELD FOR SALE

On January 31, 2017, Cominar completed the sale of an industrial and mixed-use property and a retail property located in the Toronto area, for a total amount of \$58.3 million, net of costs to sell, at a capitalization rate of 7.0%.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario, for a total amount of \$34.7 million, net of costs to sell, at a capitalization rate of 6.7%.

On April 19, 2017, Cominar completed the sale of a retail property located in the Québec area, for a total amount of \$0.8 million, net of costs to sell, at a capitalization rate of 5.4%.

On June 26, 2017, Cominar completed the sale of a retail property located in Nova Scotia, for a total amount of \$0.4 million, net of costs to sell, at a capitalization rate of 7.8%.

On July 13, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Québec area, for a total amount of \$2.2 million, net of costs to sell, at a capitalization rate of 6.0%.

The net sale proceeds of these properties were used to repay a portion of the credit facility.

INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop its income properties in the normal course of business. Investments made include additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining their rental income generating capacity.

During fiscal 2017, Cominar incurred \$141.5 million [\$110.7 million in 2016] in capital expenditures specifically to increase the rental income generating capacity of its properties or to reduce the related operating expenses. These capital expenditures include, among others, investment of \$51.6 million in revitalization and redevelopment, \$14.9 million in property expansion, \$25.0 million in roofing and other structural work, and \$11.3 million in facade renovation. During the year, Cominar also incurred \$9.4 million [\$8.5 million in 2016] in capital expenditures to maintain rental income generating capacity, consisting mainly of major maintenance and repair expenses, as well as property equipment replacements, which will garner benefits for Cominar for the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that aim to increase the value of its properties through higher lease rates, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During fiscal 2017, Cominar made investments of \$52.3 million in this respect [\$45.0 million in 2016].

INVESTMENT PROPERTIES HELD FOR SALE

On December 18, 2017, Cominar entered into a definitive agreement to sell its entire non-core market portfolio, for total gross proceeds of \$1.14 billion. This transaction is expected to close at the end of March 2018. Cominar’s management intends to use the net proceeds of this transaction to pay down debt. This portfolio comprises 96 properties located in the Greater Toronto Area, the Atlantic Provinces and Western Canada. A portion of goodwill, in the amount of \$27.0 million, associated with this property portfolio has been allocated to the assets held for sale and then has been subject to derecognition.

For the years ended December 31	2017				2016
	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$	Total \$
Investment properties and goodwill					
Balance, beginning of year	—	93,630	49,500	143,130	163,733
Dispositions	—	(44,634)	(51,683)	(96,317)	(117,000)
Net transfers from income properties	590,552	332,711	163,424	1,086,687	96,397
Transfers from properties under development and land held for future development	10,000	—	—	10,000	—
Transfers of goodwill	18,577	6,564	1,848	26,989	—
Derecognition of goodwill	(18,577)	(6,564)	(1,848)	(26,989)	—
Balance, end of year	600,552	381,707	161,241	1,143,500	143,130

As at December 31	2017				2016
	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$	Total \$
Liabilities					
Mortgages payable related to investment properties held for sale	238,312	3,614	34,424	276,350	—

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

Société en commandite Bouvier-Bertrand (Québec)

Cominar and Groupe Dallaire Inc., each having 50% ownership interest, are in joint venture for the purpose of developing commercial land located on Highway 40, one of the main arteries of Québec. Upon completion, this project, Espace Bouvier, will consist of an office building of 80,000 square feet and five retail buildings totalling approximately 191,500 square feet with more than 900 parking spaces. The office building was transferred to income properties since it is currently 66% leased, and it is expected to be 77% leased by the end of the first quarter of 2018. The first retail building, a property of 65,000 square feet 100% leased by a single tenant, was delivered in December 2015. The second retail building, a property of 25,000 square feet 100% leased by a single tenant, was delivered in May 2016. The third retail building, a property of 9,000 square feet 100% leased by a single tenant, was completed and delivered to the tenant at the end of 2016. The fourth retail building, whose construction will be completed during the first quarter of 2018 with a pre-leasing rate of 89%, will have a total leasable area of approximately 34,400 square feet and an estimated construction cost of \$4.5 million. The fifth retail building to be constructed will have a total leasable area of approximately 58,000 square feet and an estimated construction cost of \$7.3 million. The expected weighted average capitalization rate for all of these properties is estimated at 8.0%.

Société en commandite Marais (Québec)

Cominar, at 75%, and Groupe Dallaire Inc., at 25%, are in joint venture for the purpose of developing 1,542,000 square feet of commercial land located along du Marais Street, in Québec, at the junction of Robert-Bourassa and Félix-Leclerc Highways, two major arteries easily accessible, giving it great visibility. The development of this site will depend on market conditions and on whether we obtain a change of zoning, if necessary.

Société en commandite Chaudière-Duplessis (IKEA site)

During the first quarter of 2017, Cominar commenced the development of a new commercial centre located at the junction of Highways 40 and 540, two of the main arteries of Québec, around the Swedish banner IKEA, which made the announcement in the fall of 2016 and which will itself occupy just over 1 million square feet, including the parking areas. This will make it a major attraction in the new area. The official opening of the IKEA store is scheduled for the end of summer 2018.

Cominar’s commercial project will have 14 buildings of various sizes to welcome approximately 25 clients, which, with time, will occupy an estimated area of approximately 500,000 square feet, the first phases of which will be delivered by the end of 2018. Decathlon, a company specialized in the sale of sporting goods, is the first client to announce its arrival in the commercial complex, with an expected opening in July 2019. When completed, this project, with an investment estimated at \$113 million, will have a development capitalization rate of approximately 8.1%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2017, the average occupancy rate of our properties was 92.6%, compared to 92.4% as at December 31, 2016. The following table presents the occupancy rates by operating segment.

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Operating segment					
Office	89.1%	89.6%	90.3%	93.5%	93.3%
Retail	93.2%	93.0%	90.3%	94.7%	94.2%
Industrial and mixed-use	95.2%	94.3%	94.3%	94.9%	92.4%
Portfolio total	92.6%	92.4%	91.9%	94.4%	93.1%

The following table presents the occupancy rates as at December 31, 2017 by operating segment for our core markets:

	Québec	Montréal	Ottawa	Total
Operating segment				
Office	96.3%	87.7%	89.3%	90.0%
Retail	94.1%	92.4%	93.1%	93.1%
Industrial and mixed-use	94.8%	96.2%	N/A	95.9%
Core markets	94.9%	92.9%	89.7%	93.2%



LEASING ACTIVITY

The following table summarizes Cominar’s leasing activity in 2017:

	Office	Retail	Industrial and mixed-use	Total
<b>Leases that matured in 2017</b>				
Number of clients	375	642	321	1,338
Leasable area (sq. ft.)	2,174,000	2,179,000	3,679,000	8,032,000
Average minimum rent (\$/sq. ft.)	17.79	19.11	6.80	12.91
<b>Renewed leases in 2017</b>				
Number of clients	228	415	226	869
Leasable area (sq. ft.)	1,504,000	1,629,000	2,545,000	5,678,000
Average minimum rent of renewed leases (\$/sq. ft.)	16.75	17.85	6.43	12.15
<b>Retention rate</b>	<b>69.2%</b>	<b>74.8%</b>	<b>69.2%</b>	<b>70.7%</b>
<b>New leases in 2017</b>				
Number of clients	169	154	154	477
Leasable area (sq. ft.)	768,000	622,000	1,487,000	2,877,000
Average minimum rent (\$/sq. ft.)	15.07	15.69	6.09	10.49

During the year ended December 31, 2017, 70.7% [68.2% in 2016] of leasable area expiring in 2017 were renewed, while new leases were also signed, representing 2.9 million square feet of leasable area. Overall, as at December 31, 2017, 106.5% [109.0% in 2016] of the total leasable area maturing during the year was either renewed or subject to a new lease.

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

For the years ended December 31	2017	2016
<b>Operating segment</b>		
Office	(0.2)%	2.0%
Retail	(0.7)%	(1.0)%
Industrial and mixed-use	4.7%	2.5%
<b>Portfolio total</b>	<b>0.6%</b>	<b>1.8%</b>

LEASE MATURITIES

For the years ending December 31	2018	2019	2020	2021	2022
<b>Office</b>					
Leasable area (sq. ft.)	2,449,000	1,645,000	1,271,000	1,185,000	1,229,000
Average minimum rent (\$/sq. ft.)	17.67	17.78	18.00	16.90	17.45
% of portfolio – Office	16.5%	11.1%	8.6%	8.0%	8.3%
<b>Retail</b>					
Leasable area (sq. ft.)	2,477,000	1,754,000	1,337,000	1,352,000	1,131,000
Average minimum rent (\$/sq. ft.)	17.09	19.65	22.95	22.25	18.31
% of portfolio – Retail	20.5%	14.5%	11.1%	11.2%	9.4%
<b>Industrial and mixed-use</b>					
Leasable area (sq. ft.)	2,984,000	1,875,000	2,785,000	1,565,000	1,997,000
Average minimum rent (\$/sq. ft.)	6.65	7.09	6.60	6.68	6.38
% of portfolio – Industrial and mixed-use	17.1%	10.7%	15.9%	9.0%	11.4%
<b>Portfolio total</b>					
Leasable area (sq. ft.)	7,910,000	5,274,000	5,393,000	4,102,000	4,357,000
Average minimum rent (\$/sq. ft.)	13.28	14.50	13.23	14.45	12.62
% of portfolio	17.8%	11.9%	12.2%	9.2%	9.8%

The following table summarizes information on leases as at December 31, 2017:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent (\$/sq. ft.)
<b>Operating segment</b>				
Office	5.2	8.4	6,900	17.89
Retail	4.7	7.9	4,200	18.82
Industrial and mixed-use	5.1	8.3	13,000	6.69
<b>Weighted average of total portfolio</b>	<b>5.0</b>	<b>8.2</b>	<b>7,000</b>	<b>13.51</b>

Cominar has a broad, highly diversified retail client base consisting of approximately 5,700 clients occupying an average of 7,000 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.8%, 4.7% and 4.2% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 10.8% of operating revenues come from government agencies, representing approximately 100 leases.

The following table presents our top ten clients by percentage of operating revenues:

Client	% of operating revenues
Public Works Canada	4.8
Société québécoise des infrastructures	4.7
Canadian National Railway Company	4.2
Scotiabank <sup>(1)</sup>	1.0
Thales Canada	0.8
Harvest Operations Corp.	0.8
Shoppers Drug Mart	0.7
Dollarama	0.7
Groupe Immobilier Desjardins	0.6
Kraft Canada	0.6
<b>Total</b>	<b>18.9</b>

(1) As at January 1, 2018, Scotiabank will represent 0.4% of operating revenues.

## ISSUED AND OUTSTANDING UNITS

On January 10, 2017, Cominar filed a short form base shelf prospectus allowing it to issue up to \$1.0 billion in securities during the 25-month period that this prospectus remains valid.

On August 3, 2017, Cominar announced the suspension of the Distribution Reinvestment Plan and the implementation of a NCIB, up to 9,000,000 units.

On January 10, 2018, Cominar announced the increase of its normal course issuer bid ("NCIB"), increasing the maximum number of units that can be repurchased for cancellation from 9,000,000 units to 17,596,591 units. Under this NCIB, Cominar has repurchased, during the fourth quarter of 2017, 730,900 units at an average price of \$14.19, for a total consideration of \$10.4 million paid cash, and since the beginning of fiscal year 2018, 2,709,500 units at an average price of \$14.58, for a total consideration of \$39.5 million paid cash. Since the beginning of this issuer bid, Cominar has therefore repurchased a total of 3,440,400 units at an average price of \$14.50, for a total consideration of \$49.9 million paid cash.

For the years ended December 31	2017	2016
Units issued and outstanding, beginning of year	<b>182,334,562</b>	170,912,647
Public offering	—	12,780,000
Repurchase of units under NCIB	<b>(730,900)</b>	(2,717,396)
Exercise of options	<b>3,900</b>	—
Distribution reinvestment plan	<b>2,887,370</b>	1,265,157
Conversion of deferred units and restricted units	<b>134,565</b>	94,154
<b>Units issued and outstanding, end of year</b>	<b>184,629,497</b>	182,334,562

Additional information	March 7, 2018
Issued and outstanding units	181,930,672
Outstanding unit options	12,767,300
Deferred units and restricted units	244,638

## RELATED PARTY TRANSACTIONS

During fiscal years 2016 and 2017, Michel Dallaire and Alain Dallaire were trustees and members of Cominar's management team, and they exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer to replace Michel Dallaire. This appointment was part of the succession plan put in place by the Board of Trustees when Sylvain Cossette joined Cominar in 2013 as President and Chief Operating Officer. On the same day, January 1, 2018, Sylvain Cossette was appointed as a trustee of Cominar to fill the vacancy created by the departure of Alain Dallaire as trustee. On February 12, 2018, Alban D'Amours was appointed as Chairman of the Board of Cominar following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, Alain Dallaire is neither an employee nor a director of Groupe Dallaire.

In 2016 and 2017, Cominar entered into transactions with those related companies in the normal course of business, the details of which are as follows:

For the years ended December 31	2017 \$	2016 \$
Investment properties – Capital costs	<b>138,129</b>	86,639
Acquisition of additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis	<b>10,016</b>	—
Investment properties held by joint ventures – Acquisition	—	6,204
Investment properties held by joint ventures – Capital costs	<b>3,263</b>	2,958
Recovery of mortgage receivable	<b>(8,250)</b>	—
Acquisition of an additional ownership interest in the joint venture Société en commandite Complexe Jules-Dallaire	<b>21,190</b>	—
Share of joint ventures' net income	<b>5,276</b>	8,006
Net rental revenue from investment properties	<b>313</b>	301
Interest income	<b>140</b>	280

Balances shown in the consolidated balance sheets are detailed as follows:

As at December 31	2017 \$	2016 \$
Investments in joint ventures	<b>86,299</b>	90,194
Mortgage receivable	—	8,250
Accounts receivable	<b>1,969</b>	1,182
Accounts payable	<b>15,696</b>	7,624

In summary, Cominar incurred with related parties capital costs of approximately \$138.1 million for its properties. Of this amount, \$43.9 million were invested in three major projects, being \$19.6 million for the preparation of the future retail project being built around the IKEA store in Québec, \$13.5 million for the 76,000 square feet expansion of a property located in Montréal (including tenant work), and \$10.8 million for the redevelopment of our Centre Laval retail centre to greet the 66,600 square feet sporting goods store Sportium (including tenant work).

In addition, Dalcon completed approximately 1,100 jobs with costs varying between \$0 and \$50,000, and slightly less than 250 jobs where the costs exceeded \$50,000. These investments are allocated as follows: approximately 34% for tenant improvements, 21% for roofs, pavement and other structural work, 19% for the expansion and construction of properties, 15% for prepping a future retail site, 9% for work related to common areas and interiors, and finally 2% for miscellaneous maintenance and repairs.

The leasehold improvement, repair and maintenance work on properties carried out by Dalcon Inc. are invoiced to Cominar at cost plus a 5.0% markup. For construction projects, the work is invoiced at cost plus a 2.5% markup. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant time and cost savings while providing better service to its clients.



Dalcon Inc. is a fully integrated construction company with hundreds of skilled workers in various construction trades, including electricians, plumbers, carpenters, interior system installers, plasterers, painters, tilers, roofers, masonry workers, fire protection mechanics and other. Therefore, Dalcon combines many construction specializations within the company, unlike a standard general contractor, which has to subcontract these trades to carry out the construction work. Since it hires very few or no sub-trades, Dalcon is not charged for the usual sub-trade profit margin, with amounts ranging between 15% and 20% of construction costs, depending on the markets. This represents considerable cost savings for Cominar.

There is no exclusivity between Cominar and Dalcon. Cominar (or its tenants) has the option to work with various sub-trades and other general contractors if they wish to. In 2017, the total amount of investments in investment properties (capital costs) amounted to \$206.3 million, including \$138.1 million with related companies, which represents approximately 67% of the investments.

All leasehold improvement, expansion, refurbishment or building construction work must be subject to prior approval by a vice president or an executive vice president of Cominar. Execution plans as well as a detailed budget of the work must be prepared and submitted to the vice president for approval, for each project. Once approval is granted, a project manager from Cominar monitors and supervises the site to ensure compliance with the deadlines, the quality of construction and the budget. Sometimes, certain situations force us to deliver client premises as quickly as possible. In such instances, Cominar may ask Dalcon to start renovation work based on preliminary estimates without detailed construction plans, in order to meet the time constraints of its clients.

Cominar periodically checks that the hourly rates of professionals and workers charged by Dalcon are competitive compared with the market. Hourly rates of architects, engineers, designers and technicians are compared with the rates included in third party bids submitted to Cominar and also with the rates charged by different professional firms at the service of Cominar. The hourly rates of construction workers are partially regulated, and Cominar periodically validates that they are in line with the market rates, but also with the Association de la construction du Québec (the “ACQ”) recommendations. The construction costs of various specialties, such as roofing, are also validated periodically and compared with the market to ensure the most competitive prices.

The invoicing at “cost plus a markup” between Cominar and Dalcon also contributes to eliminating the financial risk associated with the management of extras, as known in the field of construction. During the work, if Dalcon faces unexpected events on the site and/or additions are requested by Cominar, a change order is issued by Dalcon, with an estimate of the costs related to these unexpected events and/or additions. These change orders are then approved by a project manager from Cominar, and the additional costs related to these unexpected events and/or additions are still chargeable at “cost plus a markup” by Dalcon, unlike standard general contractors that charge these unexpected events by adding significant profit percentages.

By constantly collaborating on matters such as repairs and maintenance costs, durability of products and equipment and construction techniques, Cominar and Dalcon managed over time to refine their methods and choices of equipment and products, thus meeting Cominar’s requirements in terms of building operations, maintenance, sustainability and durability.

In order to improve efficiency and speed in performing less significant construction work, Cominar asked Dalcon to set up mobile teams made up of carpenters, plumbers, electricians and painters. Work that requires few or no professionals and that has an estimated cost lower than \$20,000 is carried out by these mobile workers. This significantly reduces costs and delivery deadlines as it eliminates the time associated with the implementation of design, architecture and engineering plans as well as calls for tenders. The added value of these mobile teams can be summarized as a fast, effective and cost-efficient way to carry out work, thus providing Cominar with an undeniable competitive advantage vis-à-vis competitors. Dalcon’s mobile teams have carried out approximately 550 construction projects in 2017, for an average value of \$2,700 each.

Cominar is a proactive real estate owner in terms of energy management and savings. This energy management is done in collaboration with various Dalcon engineers who are specialized in energy management. These engineers have been working for a long time in collaboration with Cominar’s engineers and building operators, and have developed several energy management principles, techniques and methods that make Cominar one of the leaders in this field.

Leasing of commercial space with the related companies is carried out at the market rate for similar spaces. As at December 31, 2017, Groupe Dallaire and its affiliated companies were occupying 65,425 square feet of office space in Complexe Jules-Dallaire in Québec, 8,670 square feet of office space in the Alexis Nihon complex in Montréal, and 43,709 square feet of space at 605 Deslauriers Street in Montréal, an industrial and mixed-use building.

The business objective of investments in joint ventures with the related company Groupe Dallaire is the ownership, management and development of real estate projects.

Cominar has developed a new business plan aiming to diversify its sources of construction suppliers and to create new partnerships with leaders in the field, with the goal of promoting better development and increasing the value of all of its assets in the major areas in which it is active. In parallel with the implementation of this new strategy, the business relationship with Groupe Dallaire for construction services will be terminated in an orderly manner. To ensure an orderly transition, Cominar estimates that an approximate twelve month transition period could be required.

#### **Contractual rights and obligations**

The formation of each joint venture is recognized by limited partnership agreements and unanimous shareholder agreements of the general partner, in which the rights and obligations of each limited partner or shareholder are provided for. Among these terms and conditions, the important decisions with regard to joint ventures are taken unanimously by the limited partners for the limited partnerships, and by the shareholders for the general partners. Capital contributions are made on a pro rata basis between the limited partners. In addition, each limited partner has the right of first refusal, should the other limited partner transfer its participation in the joint venture. Recourse or purchase option mechanisms benefit each limited partner with respect of the other limited partner if it is in default under the agreements or if it becomes insolvent.

In addition, if a Triggering Event (as defined below) occurs in respect of one of the limited partners, the other limited partner shall be entitled, within a thirty (30) day period following the beginning of the Triggering Event, to provide to the limited partner subject to a Triggering Event a notice that contains a purchase offer for the entire ownership interest at fair market value of such interest upon transmission of the notice, and the limited partner in respect of which the Triggering Event occurred will be required to sell its ownership interest. “Triggering Event” means, in respect of Groupe Dallaire Inc., the loss of control of Groupe Dallaire Inc. by the Dallaire family, and, in respect of Cominar, situations where there is a change of control resulting from a takeover bid or a business combination transaction, an acquisition of a significant equity position or an important change outside the normal course of business in the composition of the Board of Trustees during a period of eighteen (18) consecutive months.

If the parties cannot mutually agree upon the fair market value, an appraisal mechanism is provided for in the agreements.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in Canadian Securities Administrators’ Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the DC&P were effective as at the end of the year ended December 31, 2017, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these reports are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the year ended December 31, 2017, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust’s internal controls over financial reporting during fiscal 2017 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

## SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

### a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements.

### b) Basis of preparation

#### Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

#### Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates, assumptions and judgments, are described below:

#### ▪ *Investment properties*

Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as a definitive agreement to sell investment properties. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and standardized net operating income as well as estimates of discount rates and future cash flows applicable to investment properties, respectively.

Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

#### ▪ *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the investment properties acquisition does not correspond to the definition of a business, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

Generally, based on its judgment, when Cominar acquires a property or property portfolio without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an acquisition of a group of assets.

#### ▪ *Joint arrangements*

Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which it must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are

structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

#### ▪ *Impairment of goodwill*

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of cash-generating units ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

#### ▪ *Financial instruments*

Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data used in these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the fair value of financial instruments.

#### ▪ *Unit options*

The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

#### ▪ *Income taxes*

Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is substantively enacted. Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

#### Investment properties

An investment property is an immovable property held by Cominar to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates and valuations from independent appraisers, plus capital expenditures made during the period, where applicable, or from a definitive agreement to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management

approach. Therefore, the fair value of Cominar’s investment properties taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

**Capitalization of costs**

Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For construction, expansion or major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management’s intended use.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

**Tenant inducements**

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

**Investment properties held for sale**

Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties continue to be measured using the fair value model.

**Financial instruments**

Cominar groups its financial instruments into classes according to their nature and characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents, the mortgage receivable and accounts receivable are classified as “Loans and receivables.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.
- Mortgages payable, debentures, bank borrowings and accounts payable and accrued liabilities are classified as “Other financial liabilities.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be financing activities.

**Deferred financing costs**

Issue costs incurred to obtain term loan financing, typically through mortgages payable or debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

**Revenue recognition**

Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar’s consolidated balance sheet under investment properties. Leases generally provide for the tenants’ payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

**Long-term incentive plan**

Cominar has a long-term incentive plan in order to attract, retain and motivate its employees to attain Cominar’s objectives. This plan does not provide for any cash settlements.

*Unit purchase options*

Cominar recognizes a compensation expense on units granted, based on their fair value on the date of the grant, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

*Restricted units*

Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

*Deferred units*

Cominar recognizes compensation expense on deferred units granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

**Income taxes**

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Cominar’s subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their taxes payable or recoverable at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

**Per unit calculations**

Basic net income (net loss) per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income (net loss) per unit on a diluted basis considers the potential issuance of units in accordance with the long-term incentive plan, if dilutive.

**Segment information**

Segment information is presented in accordance with IFRS 8, “Operating segments,” which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.



## FUTURE ACCOUNTING POLICY CHANGES

### IFRS 9, “Financial Instruments”

In July 2014, the International Accounting Standards Board (“IASB”) issued its final version of IFRS 9, which will replace IAS 39, “Financial Instruments: Recognition and Measurement” and modifications to IFRS 7, “Financial Instruments: Disclosures,” in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements.

### IFRS 15, “Revenue from Contracts with Customers”

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers.” IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and related interpretations. Adoption of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements.

### IFRS 16, “Leases”

In January 2016, the IASB issued IFRS 16, “Leases.” IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases standard, IAS 17, “Leases,” and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements since no important changes were made to the accounting model by the lessor.

## RISKS AND UNCERTAINTIES

Like all real estate entities, Cominar is exposed, in the normal course of business, to various risk factors that may have an impact on its ability to attain strategic objectives, despite all the measures implemented to counter them. Accordingly, unitholders should consider the following risks and uncertainties when assessing Cominar’s outlook in terms of investment potential.

### RISK FACTORS RELATED TO THE BUSINESS OF COMINAR

#### ACCESS TO CAPITAL AND DEBT FINANCING, AND CURRENT GLOBAL FINANCIAL CONDITIONS

The real estate industry is capital intensive. Cominar requires access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurances that Cominar will have access to sufficient capital (including debt financing) on terms favourable to Cominar for future property acquisitions and developments, for the financing or refinancing of properties, for funding operating expenses or for other purposes. In addition, Cominar may not be able to borrow funds under its credit facilities due to limitations on Cominar’s ability to incur debt set forth in the Contract of Trust or conditions in its debt instruments. Cominar’s access to the unsecured debenture market and the cost of Cominar’s borrowings under the Unsecured Revolving Credit Facility are also dependent on its credit rating. A new negative change in its credit rating could further materially adversely impact Cominar. See “Risks and Uncertainties – Risk Factors Related to the Ownership of Securities – Credit rating”. Market events and conditions, including disruptions in international and regional credit markets and in other financial systems and global economic conditions, could impede Cominar’s access to capital (including debt financing) or increase the cost of such capital. The Canadian economy, including the Province of Alberta, is being adversely impacted by volatile oil prices.

Failure to raise or access capital in a timely manner or under favourable terms could have a material adverse effect on Cominar’s financial position and results of operations, including on its acquisition and development program.

#### DEBT FINANCING

Cominar has substantial outstanding consolidated borrowings comprised primarily of hypothecs, property mortgages, debentures, bridge loan, and borrowings under its acquisition and operating credit facilities. Cominar intends to finance its growth strategy,

including developments and acquisitions, through a combination of its working capital and liquidity resources, including cash flows from operations, additional borrowings and public or private sales of properties, equities or debt securities. Cominar’s activities are therefore partially dependent upon the interest rates applied to its existing debt. Cominar may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates. In addition, the terms of Cominar’s indebtedness provide that, upon an event of default, such indebtedness becomes immediately due and payable and distributions that may be made by Cominar may be restricted. Therefore, upon an event of default under such borrowings, or inability to renew same at maturity, Cominar’s ability to make distributions will be adversely affected.

A portion of Cominar’s cash flows is dedicated to servicing its debt, and there can be no assurance that Cominar will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing.

The Unsecured Revolving Credit Facility in the stated amount of \$700.0 million is repayable in one tranche in August 2019.

Cominar is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties and the Unsecured Revolving Credit Facility cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of the existing loans.

On August 4, 2017, DBRS announced that it had downgraded the rating of the senior unsecured debentures from BBB (low) with a negative trend to BB (high) with a stable trend. This downgrade materially adversely impacted Cominar.

Any further downgrade of the credit rating assigned by DBRS to Cominar and to the unsecured debentures could materially adversely impact Cominar. See “Risks and Uncertainties – Risk Factors Related to the Business of Cominar – Credit Rating”.

#### OWNERSHIP OF IMMOVABLE PROPERTY

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of tenants, the economic environment in which they operate and the increase in interest rates. Due to difficult conditions in the Canadian retail environment, certain retailers have announced the closure of their stores, including Sears Canada Co. and other retailers, who were or are, as the case may be, tenants of Cominar. Other retailers may follow. The existing difficult retail environment is also materially impacting Cominar, notably with the increase in e-commerce, while this segment is still hardly recovering from the closing of Target stores, with the added closing of Sears stores. Cominar has also been impacted by vacancies and by the downward review of rents in the Montréal area’s suburban office market and the Ottawa office market. The Calgary office market is also adversely impacted by volatile oil prices. Cominar’s income and Distributable Income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in Cominar’s properties cannot be leased on economically favourable lease terms, or simply re-leased. In the event of default by a tenant, delays or limitations may be experienced in enforcing Cominar’s rights as a lessor and substantial costs may be incurred to protect Cominar’s investment. The ability to rent unleased space in Cominar’s properties will be affected by many factors, including the level of general economic activity and competition for tenants by other properties. Significant costs may need to be incurred to make improvements or repairs to property as required by a new tenant. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent to or higher than current rents would likely have an adverse effect on Cominar’s financial position and the value of its properties.

Certain significant expenditures, including property taxes, maintenance and operating costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If Cominar is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor’s exercise of its hypothecary remedies.

Immovable property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Cominar’s ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If Cominar were to be required to liquidate its immovable property investments, the proceeds to Cominar might be significantly less than the aggregate carrying amount of its properties.

Leases for Cominar’s properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that Cominar will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact Cominar’s financial position and results of operations.

**ENVIRONMENTAL MATTERS**

Environmental and ecological legislation and policies have become increasingly important in recent years. As an owner or operator of real property, Cominar could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Cominar’s ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against Cominar by private plaintiffs or governmental agencies. Cominar is not currently aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Cominar aware of any environmental condition with respect to any of its properties that it believes would involve material expenditures by Cominar, other than in respect of remediation expenditures taken into consideration as part of the acquisition of properties.

Pursuant to Cominar’s operating policies, Cominar shall obtain or review a Phase I environmental audit of each immovable property to be acquired by it. See “Description of the Business – Investment Guidelines and Operating Policies – Operating Policies” on pages 11 and 12 of the 2016 AIF.

**LEGAL RISKS**

Cominar’s operations are subject to various laws and regulations across all of its operating jurisdictions and Cominar faces risks associated with legal and regulatory changes and litigation.

**COMPETITION**

Cominar competes for suitable immovable property investments with individuals, corporations, pension funds and other institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, immovable property investments similar to those desired by Cominar. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions applicable to Cominar or under more flexible conditions. An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing the purchase prices of such investments and reducing their yield.

In addition, numerous property developers, managers and owners compete with Cominar in seeking tenants. The existence of competing developers, managers and owners and competition for Cominar’s tenants could have an adverse effect on Cominar’s ability to lease space in its properties and on the rents charged, and could adversely affect Cominar’s revenues and, consequently, its ability to meet its debt obligations.

**PROPERTY DEVELOPMENT PROGRAM**

Information regarding Cominar’s development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items such as, but not limited to, tenant rents, building sizes, leasable areas, project completion timelines and project costs, are updated periodically based on revised site plans, Cominar’s cost tendering process, continuing tenant negotiations, demand for leasable space in Cominar’s markets, the obtaining of required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and any changes in these assumptions could have a material adverse effect on Cominar’s development program, asset values and financial performance.

**ACQUISITIONS**

Cominar’s business plan is focused in part on growth by identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. If Cominar is unable to manage its growth effectively, this could adversely impact Cominar’s financial position and results of operations, and decrease the Distributable Income. There can be no assurance as to the pace of growth through property acquisitions or that Cominar will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

**RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES**

Management depends on the services of certain key personnel. Competition for qualified employees and executives is intense. If Cominar is unable to attract and retain qualified and capable employees and executives, the conduct of its activities may be adversely affected.

**GOVERNMENT REGULATION**

Cominar and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is adverse to Cominar and its properties could affect Cominar’s operating results and financial performance. See “Risks and Uncertainties – Risk Factors Related to the Business of Cominar – Environmental matters”.

**LIMIT ON ACTIVITIES**

In order to maintain its status as a “mutual fund trust” under the Income Tax Act, Cominar cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

**GENERAL UNINSURED LOSSES**

Cominar carries a blanket comprehensive general liability policy, and a property policy including insurance against fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. Cominar also carries insurance for earthquake risks, subject to certain policy limits, deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Cominar could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but Cominar would continue to be obligated to repay any hypothecary recourse or mortgage indebtedness on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and Cominar may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact Cominar’s financial condition and results of operations and decrease the amount of cash available for distribution.

**POTENTIAL CONFLICTS OF INTEREST**

Cominar may be subject to conflicts of interest due to the fact that Groupe Dallaire and related entities are engaged in a wide range of real estate and other business activities. Dalcon Inc. is a wholly owned subsidiary of Groupe Dallaire Inc. Cominar rents premises to Groupe Dallaire Inc. and to Dalcon Inc. Dalcon Inc. also performs leasehold improvements and carries out construction and development projects, all on behalf of Cominar. Finally, Cominar owns one participation of 50% and two participations of 75% in joint ventures with Groupe Dallaire Inc. The business objective of these three joint ventures is the ownership, management and development of real estate projects. The Dallaire Family and related entities may become involved in transactions or leasing opportunities which conflict with the interests of Cominar. Cominar has started an important transition towards a new business plan aiming to diversify its sources of construction suppliers and to develop partnerships with new partners who are leaders in the field, with the goal of promoting better development and increasing the value of all of its assets in the major areas in which it is active. In parallel with the implementation of this new strategy, the business relationship with Groupe Dallaire for construction services will be terminated in an orderly manner. To ensure an orderly transition, Cominar estimates that an approximate twelve month transition period could be required.

**CYBERSECURITY EVENTS**

Cominar faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect Cominar’s ability to operate. Cybersecurity attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported from Cominar’s operations. These developments may subject Cominar’s operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on Cominar’s financial position and results of operations.

## RISK FACTORS RELATED TO THE OWNERSHIP OF SECURITIES

### MARKET PRICE

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the initial appraisal of the value of its properties or the value of such properties from time to time.

Although Cominar intends to make distributions of its available cash to Unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including, but not limited to, Cominar’s financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the Units may deteriorate if Cominar is unable to meet its cash distribution targets in the future.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by Cominar (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

Factors that may influence the market price of the Units include the annual yield on the Units, the number of Units issued and outstanding and Cominar’s payout ratio. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. Unlike fixed-income securities, there is no obligation of Cominar to distribute to Unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of Cominar.

### CREDIT RATING

The credit rating assigned by DBRS to Cominar and to the unsecured debentures is not a recommendation to buy, hold or sell securities of Cominar. A rating is not a comment on the market price of a security nor is it an assessment of ownership given various investment objectives. Prospective investors should consult with DBRS with respect to the interpretation and implications of the rating. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed or withdrawn. Non-credit risks that can meaningfully impact the value of the securities issued include market risk, trading liquidity risk and covenant risk. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS usually provides broader contextual information regarding securities in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

On August 4, 2017, DBRS announced that it had downgraded the rating of the senior unsecured debentures from BBB (low) with a negative trend to BB (high) with a stable trend. This downgrade materially adversely impacted Cominar.

Any further downgrade of the credit rating assigned by DBRS to Cominar and to the unsecured debentures could have a material adverse effect on Cominar.

Real or anticipated changes in the credit rating in respect of the Unsecured Debentures may affect the market value of the Unsecured Debentures. In addition, real or anticipated changes in such credit rating can affect the ability of Cominar to access debt capital markets and increase the cost at which Cominar can do so. Any failure or inability on Cominar’s part to access debt capital markets on satisfactory terms, or at all, could have a material adverse effect on Cominar’s financial position and results of operations, including on its acquisition and development program. See “Risks and Uncertainties – Risk Factors Related to the Business of Cominar – Access to capital and debt financing, and current global financial conditions” and “Risks and Uncertainties – Risk Factors Related to the Business of Cominar – Debt financing”.

### ABSENCE OF MARKET FOR DEBT SECURITIES

There is currently no trading market for any Debt Securities that may be offered. No assurance can be given that an active or liquid trading market for these securities will develop or be sustained. If an active or liquid market for these securities fails to develop or be sustained, the prices at which these securities trade may be adversely affected. Whether or not these securities will trade at lower prices depends on many factors, including liquidity of these securities, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Cominar’s financial condition, historic financial performance and future prospects.

### STRUCTURAL SUBORDINATION OF SECURITIES

In the event of a bankruptcy, liquidation or reorganization of Cominar or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of Cominar and those subsidiaries before any assets are made available for distribution to the holders of Securities. The Securities will be effectively subordinated to most of the other indebtedness and liabilities of Cominar and its subsidiaries. Neither Cominar, nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured debts.

### AVAILABILITY OF CASH FLOW

Distributable Income may exceed actual cash available to Cominar from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Cominar may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The \$700.0 million unsecured revolving credit facility is repayable in one tranche in August 2019, and it is expected that it cannot be refinanced in the same amount or under such favourable terms and conditions in light of the downgrade in the rating of the senior unsecured debentures.

Cominar may need to refinance its debt obligations from time to time, including upon expiration of its debt. There could be a negative impact on Distributable Income if debt obligations of Cominar are replaced with debt that has less favourable terms or if Cominar is unable to refinance its debt. In addition, loan and credit agreements with respect to debt obligations of Cominar, include, and may include in the future, certain covenants with respect to the operations and financial condition of Cominar and Distributable Income may be restricted if Cominar is unable to maintain any such covenants.

### UNITHOLDER LIABILITY

The Contract of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an “annuitant”) will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Cominar or of the Trustees. Only the assets of Cominar are intended to be subject to levy or execution.

The Contract of Trust further provides that certain written instruments signed by Cominar (including all immovable hypothecs and, to the extent the Trustees determine to be practicable and consistent with their obligation as Trustees to act in the best interests of the Unitholders, other written instruments creating a material obligation of Cominar) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon Unitholders or annuitants personally. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Québec to Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting its affairs, Cominar will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs or mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Cominar may not be able to obtain such modification in all cases. If a claim is not satisfied by Cominar, there is a risk that a Unitholder or annuitant will be held personally liable for the performance of the obligations of Cominar where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Québec for contract claims where the liability is not so disavowed is remote.

Cominar uses all reasonable efforts to obtain acknowledgments from the hypothecary creditors under assumed hypothecs that assumed hypothec obligations will not be binding personally upon the Trustees or the Unitholders.

Claims against Cominar may arise other than under contracts, including claims in delict, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of Unitholders for such claims is considered remote under the laws of the Province of Québec and, as well, the nature of Cominar’s activities are such that most of its obligations arise by contract, with non-contractual risks being largely insurable. In the event that payment of a REIT obligation were to be made by a Unitholder, such Unitholder would be entitled to reimbursement from the available assets of Cominar.

Article 1322 of the *Civil Code of Québec* effectively states that the beneficiary of a trust is liable towards third persons for the damage caused by the fault of the trustees of such trust in carrying out their duties only up to the amount of the benefit such beneficiary has derived from the act of such trustees and that such obligations are to be satisfied from the trust patrimony. Accordingly, although this provision remains to be interpreted by the courts, it should provide additional protection to Unitholders with respect to such obligations.



The Trustees will cause the activities of Cominar to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any material risk of liability on the Unitholders for claims against Cominar.

#### **DILUTION**

The number of Units Cominar is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in other circumstances. Additional Units may also be issued pursuant to the DRIP (which is currently suspended), the Equity Incentive Plan and any other incentive plan of Cominar. Any issuance of Units may have a dilutive effect on Unitholders.

#### **RESTRICTIONS ON CERTAIN UNITHOLDERS AND LIQUIDITY OF UNITS**

The Contract of Trust imposes restrictions on non-resident Unitholders, who are prohibited from beneficially owning more than 49% of the Units. These restrictions may limit the rights of certain Unitholders, including non-residents of Canada, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public. Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of distributions by Cominar. Cominar withholds such taxes as required by the Income Tax Act and remits such payment to the tax authorities on behalf of the Unitholder. The Income Tax Act contains measures to subject non-residents of Canada to withholding tax of certain otherwise non-taxable distributions of Canadian mutual funds to non-resident Unitholders. This may limit the demand for Units and thereby affect their liquidity and market value.

#### **CASH DISTRIBUTIONS ARE NOT GUARANTEED**

There can be no assurance regarding the amount of income to be generated by Cominar's properties. The ability of Cominar to make cash distributions, and the actual amounts distributed, will be entirely dependent on the operations and assets of Cominar and its subsidiaries, and will be subject to various factors including financial performance and results of operations, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from anchor tenants and capital expenditure requirements. The market value of the Units will deteriorate if Cominar is unable to meet its distribution targets 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.

#### **NATURE OF INVESTMENT**

A Unitholder does not hold a share of a body corporate. As holders of Units, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Contract of Trust. There is no statute governing the affairs of Cominar equivalent to the CBCA, which sets out the rights, and entitlements of shareholders of corporations in various circumstances.

#### **STATUS FOR TAX PURPOSES**

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Cominar to Holders and to deduct such distributions and designations for income tax purposes. In the context of the sale of a significant part of its investment properties, Cominar could end up with a substantial taxable profit that would require it to make a sizeable additional special distribution to avoid having to pay taxes itself.

Certain of Cominar's subsidiaries are subject to tax on their taxable income under the Income Tax Act and the Taxation Act (Québec).

A special tax regime applies to trusts that are considered SIFTs as well as those individuals who invest in SIFTs. Under the SIFT Rules, a SIFT is subject to tax in a manner similar to corporations on income from business carried on in Canada and on income (other than taxable dividends) or capital gains from "non-portfolio properties" (as defined in the Income Tax Act), at a combined federal/provincial tax rate similar to that of a corporation.

The SIFT Rules apply unless (among other exceptions not applicable here) the trust qualifies as a "real estate investment trust" for the year (the "Real Estate Investment Trust Exception"). If Cominar fails to qualify for the Real Estate Investment Trust Exception, Cominar will be subject to the tax regime introduced by the SIFT Rules.

Management believes that Cominar currently meets all the criteria required to qualify for the Real Estate Investment Trust Exception, as per the Real Estate Investment Trust Exception currently in effect. As a result, Management believes that the SIFT Rules do not apply to Cominar. Management intends to take all the necessary steps to meet these conditions on an on-going basis in the future. Nonetheless, there is no guarantee that Cominar will continue to meet all the required conditions to be eligible for the Real Estate Investment Trust Exception for fiscal 2018 or any other subsequent year.

# CONSOLIDATED FINANCIAL STATEMENTS



COMINAR REAL ESTATE INVESTMENT TRUST  
December 31, 2017

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including those amounts that must be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information in our MD&A is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are duly authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2017, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of reports as well as internal control over financial reporting, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls were effective.

The Board of Trustees oversees management's responsibility for financial reporting through its Audit Committee, which is composed entirely of trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our internal control procedures and their updates, the

identification and management of risks, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP, a partnership of independent professional chartered accountants appointed by the unitholders of Cominar upon the recommendation of the Audit Committee and the Board of Trustees, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2017 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.



Sylvain Cossette, B.C.L.  
President and Chief Executive Officer



GILLES HAMEL, CPA, CA  
Executive Vice President  
and Chief Financial Officer

Québec, March 7, 2018

# INDEPENDENT AUDITOR'S REPORT

## TO THE UNITHOLDERS OF COMINAR REAL ESTATE INVESTMENT TRUST

We have audited the accompanying consolidated financial statements of Cominar Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of unitholders' equity, comprehensive income and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cominar Real Estate Investment Trust and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

PricewaterhouseCoopers LLP<sup>(1)</sup>  
March 7, 2018  
Place de la Cité, Tour Cominar  
2640 Laurier Boulevard, Suite 1700  
Québec, Quebec G1V 5C2  
Canada

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

<sup>(1)</sup> CPA auditor, CA, public accountancy permit no. A125971



CONSOLIDATED BALANCE SHEETS

[in thousands of Canadian dollars]

	Note	December 31, 2017	December 31, 2016
		\$	\$
<b>ASSETS</b>			
Investment properties			
Income properties	5	6,239,383	7,676,134
Properties under development	6	37,692	45,776
Land held for future development	6	91,580	90,820
		6,368,655	7,812,730
Investment properties held for sale	7	1,143,500	143,130
Investments in joint ventures	8	86,299	90,194
Goodwill	9	139,982	166,971
Mortgage receivable		—	8,250
Accounts receivable	10	62,956	42,518
Prepaid expenses and other assets		16,673	14,139
Cash and cash equivalents		6,928	9,853
Total assets		7,824,993	8,287,785
<b>LIABILITIES</b>			
Mortgages payable	11	1,873,776	2,048,009
Mortgages payable related to investment properties held for sale	7, 11	276,350	—
Debentures	12	1,721,577	1,970,566
Bank borrowings	13	620,366	332,121
Accounts payable and accrued liabilities	14	117,482	109,861
Deferred tax liabilities	19	6,681	11,715
Total liabilities		4,616,232	4,472,272
<b>UNITHOLDERS' EQUITY</b>			
Unitholders' equity		3,208,761	3,815,513
Total liabilities and unitholders' equity		7,824,993	8,287,785

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.



Alban D'Amours, CM, GOQ, LH, Fellow Adm.A.  
Chairman of the Board of Trustees



Michel Thérroux, FCPA, FCA  
President of the Audit Committee

CONSOLIDATED STATEMENTS  
OF UNITHOLDERS' EQUITY

For the years ended December 31

[in thousands of Canadian dollars]

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Total
		\$	\$	\$	\$	\$
Balance as at January 1, 2017		3,234,693	2,250,944	(1,675,689)	5,565	3,815,513
Net loss and comprehensive income		—	(391,725)	—	—	(391,725)
Distributions to unitholders	15	—	—	(246,523)	—	(246,523)
Unit issuances	15	41,734	—	—	(1,908)	39,826
Unit issuance expense	15	(58)	—	—	—	(58)
Repurchase of units under NCIB(1)	15	(10,374)	—	—	—	(10,374)
Long-term incentive plan		—	1,810	—	292	2,102
Balance as at December 31, 2017		3,265,995	1,861,029	(1,922,212)	3,949	3,208,761

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Total
		\$	\$	\$	\$	\$
Balance as at January 1, 2016		3,063,920	2,008,364	(1,421,233)	6,946	3,657,997
Net income and comprehensive income		—	241,738	—	—	241,738
Distributions to unitholders	15	—	—	(254,456)	—	(254,456)
Unit issuances	15	220,043	—	—	(1,579)	218,464
Unit issuance expense	15	(8,491)	—	—	—	(8,491)
Repurchase of units under NCIB <sup>(1)</sup>	15	(40,779)	—	—	—	(40,779)
Long-term incentive plan		—	842	—	198	1,040
Balance as at December 31, 2016		3,234,693	2,250,944	(1,675,689)	5,565	3,815,513

(1) Normal course issuer bid ("NCIB")  
See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

[in thousands of Canadian dollars, except per unit amounts]

	Note	2017 \$	2016 \$
<b>Operating revenues</b>			
Rental revenue from investment properties		<b>835,489</b>	866,982
<b>Operating expenses</b>			
Operating costs	17	<b>(187,895)</b>	(185,436)
Realty taxes and services		<b>(194,929)</b>	(196,822)
Property management expenses	17	<b>(16,628)</b>	(16,115)
		<b>(399,452)</b>	(398,373)
<b>Net operating income</b>		<b>436,037</b>	468,609
Finance charges	18	<b>(168,752)</b>	(170,645)
Trust administrative expenses	17	<b>(25,977)</b>	(16,719)
Change in fair value of investment properties	5	<b>(616,354)</b>	(46,675)
Share of joint ventures' net income	8	<b>5,276</b>	8,006
Derecognition of goodwill	7	<b>(26,989)</b>	—
<b>Income (loss) before income taxes</b>		<b>(396,759)</b>	242,576
<b>Income taxes</b>	19	<b>5,034</b>	(838)
<b>Net income (net loss) and comprehensive income</b>		<b>(391,725)</b>	241,738
<b>Basic and diluted net income (net loss) per unit</b>	20	<b>(2.13)</b>	1.40

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

[in thousands of Canadian dollars]

	Note	2017 \$	2016 \$
<b>OPERATING ACTIVITIES</b>			
Net income (net loss)		<b>(391,725)</b>	241,738
Adjustments for:			
Excess of share of net income over distributions received from the joint ventures	8	<b>(5,026)</b>	(7,206)
Change in fair value of investment properties	5	<b>616,354</b>	46,675
Depreciation and amortization		<b>(1,504)</b>	(2,398)
Compensation expense related to long-term incentive plan	15	<b>2,102</b>	1,028
Deferred income taxes	19	<b>(5,034)</b>	838
Derecognition of goodwill	7	<b>26,989</b>	—
Recognition of leases on a straight-line basis	5	<b>(3,941)</b>	(3,931)
Changes in non-cash working capital items	21	<b>(4,990)</b>	7,346
<b>Cash flows provided by operating activities</b>		<b>233,225</b>	284,090
<b>INVESTING ACTIVITIES</b>			
Acquisitions of and investments in income properties	5, 21	<b>(203,823)</b>	(178,578)
Acquisitions of and investments in properties under development and land held for future development	6, 21	<b>(50,009)</b>	(39,908)
Mortgage receivable		<b>8,250</b>	—
Cash consideration paid in a business combination	4, 8	<b>(10,016)</b>	—
Cash consideration paid on the acquisition of an additional interest in a joint venture	8	<b>(21,190)</b>	—
Net proceeds from the sale of investment properties	4, 6	<b>116,372</b>	107,157
Contributions to the capital of the joint ventures	8	<b>—</b>	(10,850)
Return of capital from a joint venture	8	<b>—</b>	2,750
Change in other assets		<b>(3,518)</b>	(377)
<b>Cash flows used in investing activities</b>		<b>(163,934)</b>	(119,806)
<b>FINANCING ACTIVITIES</b>			
Cash distributions to unitholders		<b>(206,753)</b>	(236,000)
Bank borrowings		<b>288,245</b>	(49,045)
Mortgages payable		<b>320,530</b>	239,354
Debenture issuance net proceeds		<b>—</b>	223,725
Unit issuance net proceeds		<b>3</b>	191,516
Repurchase of units under NCIB	15	<b>(10,380)</b>	(40,779)
Repayments of debentures at maturity	12	<b>(250,000)</b>	(250,000)
Repayments of mortgages payable at maturity	11	<b>(150,134)</b>	(183,498)
Monthly repayments of mortgages payable	11	<b>(63,727)</b>	(54,954)
<b>Cash flows used in financing activities</b>		<b>(72,216)</b>	(159,681)
Net change in cash and cash equivalents		<b>(2,925)</b>	4,603
Cash and cash equivalents, beginning of year		<b>9,853</b>	5,250
Cash and cash equivalents, end of year		<b>6,928</b>	9,853
<b>Other information</b>			
Interest paid		<b>183,217</b>	181,469
Cash distributed by a joint venture	8	<b>250</b>	800

See accompanying notes to the consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**For the years ended December 31, 2017 and 2016**

[in thousands of Canadian dollars, except per unit amounts]

## 1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at December 31, 2017, Cominar owned and managed a real estate portfolio of 525 high-quality properties that covered a total area of 44.4 million square feet in Quebec, Ontario, the Atlantic Provinces and Western Canada.

Cominar is listed on the Toronto Stock Exchange, and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Québec, Quebec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at [www.cominar.com](http://www.cominar.com).

The Board of Trustees approved Cominar's consolidated financial statements on March 7, 2018.

## 2) SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements.

### b) Basis of preparation

#### Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

#### Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates, assumptions and judgments, are described below:

#### ▪ *Investment properties*

Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as a definitive agreement to sell investment properties. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and standardized net operating income as well as estimates of discount rates and future cash flows applicable to investment properties, respectively.

Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

#### ▪ *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the investment properties acquisition does not correspond to the definition of a business, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

Generally, based on its judgment, when Cominar acquires a property or property portfolio without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an acquisition of a group of assets.

#### ▪ *Joint arrangements*

Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

#### ▪ *Impairment of goodwill*

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of cash-generating units ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

#### ▪ *Financial instruments*

Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data used in these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the fair value of financial instruments.

#### ▪ *Unit options*

The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

#### ▪ *Income taxes*

Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is



substantively enacted. Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

**Investment properties**

An investment property is an immovable property held by Cominar to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management’s estimates and valuations from independent appraisers, plus capital expenditures made during the period, where applicable, or on a definitive agreement to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

The fair value of Cominar’s investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar’s investment properties taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

**Capitalization of costs**

Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For construction, expansion or major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management’s intended use.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

**Tenant inducements**

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

**Investment properties held for sale**

Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties continue to be measured using the fair value model.

**Financial instruments**

Cominar groups its financial instruments into classes according to their nature and characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents, the mortgage receivable and accounts receivable are classified as “Loans and receivables.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.
- Mortgages payable, debentures, bank borrowings and accounts payable and accrued liabilities are classified as “Other financial liabilities.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be financing activities.

**Deferred financing costs**

Issue costs incurred to obtain term loan financing, typically through mortgages payable or debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

**Revenue recognition**

Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar’s consolidated balance sheet under investment properties. Leases generally provide for the tenants’ payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

**Long-term incentive plan**

Cominar has a long-term incentive plan in order to attract, retain and motivate its employees to attain Cominar’s objectives. This plan does not provide for any cash settlements.

*Unit purchase options*

Cominar recognizes a compensation expense on units granted, based on their fair value on the date of the grant, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

*Restricted units*

Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

*Deferred units*

Cominar recognizes compensation expense on deferred units granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Cominar’s subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their taxes payable or recoverable at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Per unit calculations

Basic net income (net loss) per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income (net loss) per unit on a diluted basis considers the potential issuance of units in accordance with the long-term incentive plan, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, “Operating segments,” which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

3) FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, “Financial Instruments”

In July 2014, the International Accounting Standards Board (“IASB”) issued its final version of IFRS 9, which will replace IAS 39, “Financial Instruments: Recognition and Measurement” and modifications to IFRS 7, “Financial Instruments: Disclosures,” in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements.

IFRS 15, “Revenue from Contracts with Customers”

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers.” IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and related interpretations. Adoption of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements.

IFRS 16, “Leases”

In January 2016, the IASB issued IFRS 16, “Leases”. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases standard, IAS 17, “Leases”, and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The adoption of this new standard will have no significant impact on Cominar’s consolidated financial statements since no important changes were made to the accounting model by the lessor.

4) ACQUISITIONS AND DISPOSITIONS

BUSINESS COMBINATIONS

On January 13, 2017, Cominar acquired an additional 25% ownership interest in Société en commandite Chaudière-Duplessis for an amount of \$10,016, increasing its interest in the company from 75% to 100%. On that date, Société en commandite Chaudière-Duplessis became a wholly owned subsidiary of Cominar.

Cominar accounted for this transaction using the acquisition method, in accordance with IFRS 3 “Business Combinations.” IFRS 3 requires the recognition of 100% of the net assets acquired in the consolidated financial statements as well as the derecognition of the investment in a joint venture.

The following table summarizes the acquisition-date fair value of net assets acquired and the purchase price:

As at January 13, 2017	Final purchase price allocation
	\$
Properties under development	40,334
Working capital	(207)
Net assets of Société en commandite Chaudière-Duplessis	40,127
Previously held interest in the joint venture	(30,111)
Cash consideration	10,016

The cash consideration paid for the acquisition has been financed by the credit facility. The results of this subsidiary are included in the consolidated financial statements from the date of acquisition.

DISPOSITIONS OF INCOME PROPERTIES

On July 19, 2017, Cominar completed the sale of a retail property located in Ontario, for a total selling price of \$850.

On July 27, 2017, Cominar completed the sale of a retail property located in the Granby area, Quebec, for a total selling price of \$1,000.

On August 17, 2017, Cominar completed the sale of a retail property located in Chicoutimi, Quebec, for a total selling price of \$2,250.

On December 8, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Montréal area, Quebec, for a total selling price of \$4,000.

These properties sold during fiscal 2017 have been subject to an overall increase in their carrying amount to their fair value of \$276. These properties had been subject to an increase in their carrying amount to their fair value of \$157 in 2016.

DISPOSITIONS OF INVESTMENT PROPERTIES HELD FOR SALE IN 2017

On January 31, 2017, Cominar completed the sale of one industrial and mixed-use property and one retail property located in the Toronto area, for a total selling price of \$58,253, net of costs to sell.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario for a total selling price of \$34,658, net of costs to sell.

On April 19, 2017, Cominar completed the sale of a retail property located in the Québec area for a total selling price of \$835, net of costs to sell.

On June 26, 2017, Cominar completed the sale of a retail property located in Nova Scotia for a total selling price of \$388, net of costs to sell.

On July 13, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Québec area, for a total selling price of \$2,183, net of costs to sell.

The properties sold by Cominar during fiscal 2017 have been subject to an overall decrease in their carrying amount to their fair value of \$819 following an adjustment of the estimated costs to sell. These properties had been subject to an increase in their carrying amount to their fair value of \$7,847 in 2016.

DISPOSITIONS OF INVESTMENT PROPERTIES HELD FOR SALE IN 2016

On January 29, 2016, Cominar completed the sale of a portfolio of 10 retail properties located in Quebec and Ontario, for a total price of \$14,949, net of costs to sell.

On March 31, 2016, Cominar completed the sale of a portfolio of 14 retail properties located in Quebec and Ontario, for a total price of \$55,482, net of costs to sell.

On May 2, 2016, Cominar completed the sale of a portfolio of 5 retail properties located in the Québec and Montréal areas, for a total price of \$39,293, net of costs to sell.

On December 19, 2016, Cominar completed the sale of two retail properties located in the Montréal area, for a total price of \$5,914, net of costs to sell.

The properties sold by Cominar during fiscal 2016 have been subject to an overall decrease in their carrying amount to their fair value of \$1,362. These properties had been subject to an increase in their carrying amount to their fair value of \$4,836 in 2015.

TRANSFERS TO INCOME PROPERTIES IN 2017

During the fourth quarter of 2017, Cominar transferred two properties from properties under development to income properties. The first property, a \$31,285 office building with a leasable area of 119,000 square feet, is located in Laval and has an occupancy rate of 95.0%. Its capitalization rate is 9.0%. The second property, a \$11,315 industrial and mixed-use building with a leasable area of 75,000 square feet, is located in Lévis and has an occupancy rate of 67%. Its estimated capitalization rate is 8.1%.

TRANSFERS TO INCOME PROPERTIES IN 2016

During the third quarter of 2016, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Québec, this property valued at \$5,599, with a leasable area of 46,000 square feet, has an occupancy rate of 100%. The capitalization rate is 8.5%.

During the fourth quarter of 2016, Cominar completed the construction of two properties that were transferred from properties under development to income properties. The first one, a \$2,262 retail property located in Trois-Rivières with a leasable area of 6,000 square feet, has an occupancy rate of 100% and its capitalization rate is 7.6%. The second one, a \$19,970 industrial and mixed-use property located in Laval with a leasable area of 130,000 square feet, has an occupancy rate of 100% and its capitalization rate is 8.4%.

5) INCOME PROPERTIES

For the years ended December 31		2017	2016
	Note	\$	\$
Balance, beginning of year		7,676,134	7,614,990
Acquisitions and related costs		478	10,648
Change in fair value		(592,229)	(49,086)
Capital costs		190,151	149,011
Dispositions	4	(8,100)	—
Transfers from properties under development	6	42,600	27,831
Net transfers to investment properties held for sale	7	(1,086,687)	(96,397)
Change in initial direct costs		13,095	15,206
Recognition of leases on a straight-line basis		3,941	3,931
Balance, end of year		6,239,383	7,676,134

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the consolidated financial statements according to the fair value model. Fair value is determined based on evaluations performed using management’s internal estimates and by independent real estate appraisers, plus capital expenditures made during the period, where applicable, or on a definitive agreement to sell investment properties. External valuations were carried out by independent national firms holding a recognized and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar’s policy on valuing investment properties, during fiscal 2017, management revalued the entire real estate portfolio and determined that a decrease of \$616,354 was necessary to change the carrying amount in fair value of investment properties [decrease of \$46,675 in 2016]. The change in fair value related to investment properties held as at the year-end date amounts to \$615,811 [\$45,313 in 2016]. In 2017, the fair value of investment properties from external valuations amounted to 28% [14% in 2016] of the total fair value of all investment properties.

Internally valued investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

*Capitalized net operating income method* – Under this method, capitalization rates are applied to standardized net operating income in order to comply with current valuation standards. The standardized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. The key factor is the capitalization rate for each property or property type. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include different capitalization rates by property type and geographical area.

*Discounted cash flow method* – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

To the extent that the capitalization rate ranges change from one reporting period to the next, or if another rate within the provided ranges is more appropriate than the rate previously used, the fair value of investment properties increases or decreases accordingly. The change in the fair value of investment properties is reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2017 of 0.1% in the applied capitalization rates for the entire real estate portfolio, except for the investment properties held for sale, would result in a decrease or increase of approximately \$103,400 [\$135,300 in 2016] in the fair value of its investment properties.

Capitalization and discount rates used in both the internal and external valuations are consistent.



Capitalization and discount rates			2017		2016	
Category	Range	Weighted average	Range	Weighted average		
<b>Office properties</b>						
Capitalized net operating income method						
Capitalization rate	5.3% - 9.3%	6.2%	4.8% - 9.3%	6.2%		
Discounted cash flow method						
Overall capitalization rate	5.3% - 6.0%	5.4%	5.3% - 6.3%	5.4%		
Terminal capitalization rate	5.5% - 6.5%	5.8%	5.6% - 6.5%	5.6%		
Discount rate	6.0% - 7.3%	6.3%	6.6% - 7.0%	6.7%		
<b>Retail properties</b>						
Capitalized net operating income method						
Capitalization rate	5.0% - 8.3%	6.1%	5.0% - 9.0%	5.9%		
Discounted cash flow method						
Overall capitalization rate	5.0% - 8.0%	5.7%	5.8% - 6.3%	5.9%		
Terminal capitalization rate	5.3% - 8.8%	5.8%	6.0% - 6.5%	6.1%		
Discount rate	5.3% - 8.0%	6.2%	6.8% - 7.3%	6.9%		
<b>Industrial and mixed-use properties</b>						
Capitalized net operating income method						
Capitalization rate	5.5% - 11.0%	6.8%	5.5% - 11.0%	6.9%		
Discounted cash flow method <sup>(1)</sup>						
Overall capitalization rate	6.0% - 6.8%	6.5%				N/A
Terminal capitalization rate	6.3% - 7.0%	6.5%				N/A
Discount rate	7.0% - 7.8%	7.2%				N/A
<b>Total</b>						
<b>Capitalized net operating income method</b>						
<b>Capitalization rate</b>		6.3%		6.2%		
<b>Discounted cash flow method</b>						
<b>Overall capitalization rate</b>		5.8%		5.6%		
<b>Terminal capitalization rate</b>		5.9%		5.8%		
<b>Discount rate</b>		6.3%		6.7%		

(1) For the year ended December 31, 2016, no industrial and mixed-use properties have been subject to external valuation according to the discounted cash flow method.

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31		2017	2016
	Note	\$	\$
Balance, beginning of year		136,596	120,760
Acquisitions and related costs		22,600	14,818
Change in fair value of properties transferred to investment properties held for sale		(24 125)	3,773
Capital costs		16,051	19,191
Disposition of a portion of land		(16,244)	—
Capitalized interest		6,636	5,252
Transfers to income properties	4, 5	(42,600)	(27,831)
Transfer to investment properties held for sale	7	(10,000)	—
Business combination	4	40,334	—
Change in initial direct costs		24	633
Balance, end of year		129,272	136,596
Breakdown:			
Properties under development		37,692	45,776
Land held for future development		91,580	90,820

7) INVESTMENT PROPERTIES HELD FOR SALE

On December 18, 2017, Cominar entered into a definitive agreement to sell its entire non-core market portfolio, for total gross proceeds of \$1,143,500. This transaction is expected to close at the end of March 2018. Cominar’s management intends to use the net proceeds of this transaction to reduce the debt ratio. This portfolio comprises 96 properties located in the Greater Toronto Area, the Atlantic Provinces and Western Canada. A portion of goodwill, in the amount of \$26,989, associated with this property portfolio has been allocated to the assets held for sale and then has been subject to derecognition.

For the years ended December 31		2017			2016
	Note	Office properties	Retail properties	Industrial and mixed-use properties	Total
			\$	\$	\$
<b>Investment properties and goodwill</b>					
Balance, beginning of year		—	93,630	49,500	143,130
Dispositions	4	—	(44,634)	(51,683)	(96,317)
Net transfers from income properties	5	590,552	332,711	163,424	1,086,687
Transfers from properties under development and land held for future development	6	10,000	—	—	10,000
Transfers of goodwill	9	18,577	6,564	1,848	26,989
Derecognition of goodwill		(18,577)	(6,564)	(1,848)	(26,989)
Balance, end of year		600,552	381,707	161,241	1,143,500

As at December 31	2017				2016
	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$	Total \$
<b>Liabilities</b>					
Mortgages payable related to investment properties held for sale	238,312	3,614	34,424	276,350	—

8) JOINT VENTURES

As at December 31			2017	2016
Joint venture	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	75%	50%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	50%	50%
Société en commandite Chaudière-Duplessis	Boulevard de la Chaudière	Québec, Québec	—	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	75%	75%

The business objective of these joint ventures is the ownership, management and development of real estate projects.

Contractual rights and obligations

The formation of each joint venture is recognized by limited partnership agreements and unanimous shareholder agreements of the general partner, in which the rights and obligations of each limited partner or shareholder are provided for. Among these terms and conditions, the important decisions with regard to joint ventures are taken unanimously by the limited partners for the limited partnerships, and by the shareholders for the general partners. Capital contributions are made on a pro rata basis between the limited partners. In addition, each limited partner has the right of first refusal, should the other limited partner transfer its participation in the joint venture. In the event that one of the limited partners is subject to a change of control, or if its assets are sold, the other limited partner has a purchase option for the participation at the fair market value. Recourse or purchase option mechanisms benefits each limited partner in respect of the other limited partner if it is in default under the agreements or if it becomes insolvent.

On January 13, 2017, Cominar completed the acquisition of an additional 25% ownership interest in Société en commandite Chaudière-Duplessis, for a purchase price of \$10,016. On that date, Société en commandite Chaudière-Duplessis became a wholly owned subsidiary of Cominar.

On May 31, 2017, Cominar completed the acquisition of an additional 25% ownership interest in Société en commandite Jules-Dallaire, for an amount of \$21,190.

The following table summarizes the financial information on the investments in these joint ventures accounted for under the equity method:

For the years ended December 31		2017	2016
	Note	\$	\$
Investments in joint ventures, beginning of year		90,194	74,888
Contributions to the capital of the joint ventures		—	10,850
Share of joint ventures’ net income		5,276	8,006
Cash distributions by a joint venture		(250)	(800)
Return of capital from a joint venture		—	(2,750)
Acquisition of an additional interest in a joint venture		21,190	—
Business combination	4	(30,111)	—
Investments in joint ventures, end of year		86,299	90,194

The following tables summarize the joint ventures' net assets and net income:

As at December 31	2017	2016
	\$	\$
Income properties	231,650	198,394
Properties under development	11,711	35,741
Land held for future development	13,501	55,050
Other assets	1,020	2,126
Mortgages payable	(109,918)	(112,873)
Bank borrowings <sup>(1)</sup>	(23,900)	(21,600)
Other liabilities	(4,502)	(3,942)
Net assets of the joint ventures	119,562	152,896
Proportionate share of joint ventures’ net assets	86,299	90,194

(1) Société en commandite Bouvier-Bertrand has a \$25,000 credit facility, which is secured by Cominar and Groupe Dallaire.

For the years ended December 31	2017	2016
	\$	\$
Operating revenues	21,503	20,226
Operating expenses	(9,287)	(8,736)
Net operating income	12,216	11,490
Finance charges	(5,525)	(5,383)
Administrative expenses	(81)	(134)
Change in fair value of investment properties	704	9,461
Net income	7,314	15,434
Share of joint ventures’ net income	5,276	8,006

9) GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of CGUs expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGUs, making assumptions about standardized net operating income and adjusted capitalization rates. These assumptions are based on Cominar’s past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of CGU, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

At year-end, Cominar tested its assets for impairment by determining the recoverable value of the net assets of each group of CGUs and comparing it to the carrying amount, including goodwill. As at December 31, 2017 and 2016, goodwill was not impaired.

Goodwill is measured using Level 3 inputs of the fair value hierarchy, which means that inputs for the asset or liability are not based on observable market data (unobservable inputs).

GOODWILL

	Note	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$
Balance as at December 31, 2016		98,073	51,212	17,686	166,971
Transfer to assets held for sale	7	(18,577)	(6,564)	(1,848)	(26,989)
Balance as at December 31, 2017		79,496	44,648	15,838	139,982

The adjusted capitalization rates used to value the recoverable amount of net assets for each group of CGUs are as follows:

Adjusted capitalization rates

As at December 31	2017	2016
Category	Weighted average	Weighted average
Office properties	6.0%	5.8%
Retail properties	5.8%	5.7%
Industrial and mixed-use properties	6.3%	6.5%
	6.0%	5.9%

10) ACCOUNTS RECEIVABLE

As at December 31	2017	2016
	\$	\$
Trade receivables	27,403	27,693
Allowance for doubtful accounts	(7,581)	(8,557)
	19,822	19,136
Accounts receivable – related parties	1,969	1,182
Interest-bearing accounts receivable <sup>(1)</sup>	3,554	1,044
Security deposits	8,434	6,295
Other receivables and accrued income	29,177	14,861
	62,956	42,518
(1)Average effective interest rate	5.91%	6.89%

11) MORTGAGES PAYABLE

For the years ended December 31	2017		2016	
	Weighted average contractual rate		Weighted average contractual rate	
	\$		\$	%
Balance, beginning of year	2,045,957	4.37%	2,051,335	4.46%
Mortgages payable contracted	321,800	3.27%	241,555	3.50%
Monthly repayments of principal	(63,727)	—	(54,954)	—
Repayments of balances at maturity or assigned	(150,134)	4.94%	(191,979)	5.44%
	2,153,896	4.22%	2,045,957	4.37%
Plus: Fair value adjustments on assumed mortgages payable	2,167		7,746	
Less: Deferred financing costs	(5,937)		(5,694)	
Balance, end of year <sup>(1)</sup>	2,150,126		2,048,009	

1) Including the \$276,350 mortgages payable related to the properties held for sale.

Contractual maturity dates of mortgages payable are as follows as at December 31, 2017:

For the years ending December 31	Repayment of principal \$	Balances at maturity \$	Total \$
2018	48,974	592,612	641,586
2019	44,700	4,141	48,841
2020	46,299	82,013	128,312
2021	45,618	89,437	135,055
2022	40,145	184,248	224,393
2023 and thereafter	101,533	874,176	975,709
	327,269	1,826,627	2,153,896

Mortgages payable are secured by immovable hypothecs on investment properties having a carrying amount of \$4,025,062 [\$4,072,140 as at December 31, 2016]. They bear annual contractual interest rates ranging from 2.52% to 7.75% [2.52% to 7.75% as at December 31, 2016], representing a weighted average contractual rate of 4.22% as at December 31, 2017 [4.37% as at December 31, 2016], and are renewable at various dates from January 2018 to January 2039. As at December 31, 2017, the weighted average effective interest rate was 3.95% [4.09% as at December 31, 2016].

As at December 31, 2017, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both December 31, 2017 and December 31, 2016.



12) DEBENTURES

For the years ended December 31	2017		2016	
		Weighted average contractual rate		Weighted average contractual rate
	\$		\$	
Balance, beginning of year	1,975,000	4.23%	2,000,000	3.95%
Issuances	—	—	225,000	4.25%
Repayment at maturity	(250,000)	4.274%	(250,000)	1.97%
	1,725,000	4.23%	1,975,000	4.23%
Less: Deferred financing costs	(4,878)		(6,552)	
Plus: Net premium and discount on issuance	1,455		2,118	
Balance, end of year	1,721,577		1,970,566	

On June 15, 2017, Cominar reimbursed at maturity its Series 1 senior unsecured debentures totalling \$250,000 and bearing interest at 4.274% using its unsecured revolving operating and acquisition credit facility.

The following table presents characteristics of outstanding debentures as at December 31, 2017:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2017
					\$
Series 2	December 2012 <sup>(1)</sup>	4.23%	4.37%	December 2019	300,000
Series 3	May 2013	4.00%	4.24%	November 2020	100,000
Series 4	July 2013 <sup>(2)</sup>	4.941%	4.81%	July 2020	300,000
Series 7	September 2014	3.62%	3.70%	June 2019	300,000
Series 8	December 2014	4.25%	4.34%	December 2021	200,000
Series 9	June 2015	4.164%	4.25%	June 2022	300,000
Series 10	May 2016	4.247%	4.34%	May 2023	225,000
		4.23%	4.29%		1,725,000

(1) Re-opened in February 2013 (\$100,000).  
(2) Re-opened in January 2014 (\$100,000) and March 2014 (\$100,000).

The debentures, under the trust indenture, contain restrictive covenants, with which Cominar was in compliance as at December 31, 2017 and 2016.

13) BANK BORROWINGS

As at December 31, 2017, Cominar had an unsecured renewable operating and acquisition credit facility of up to \$700,000 maturing in August 2019. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers’ acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2017 and 2016. As at December 31, 2017, bank borrowings totalled \$620,366 and cash available was \$79,634.

14) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2017	2016
	\$	\$
Trade accounts payable	2,617	4,848
Accounts payable – related parties	15,696	7,624
Accrued interest payable	17,473	18,818
Prepaid rent and tenants’ deposits	29,188	27,848
Other accounts payable and accrued expenses	41,889	39,961
Commodity taxes and other non-financial liabilities	10,619	10,762
	117,482	109,861

15) ISSUED AND OUTSTANDING UNITS

Ownership interests in Cominar are represented by a single class of units, unlimited in number. Units represent a unitholder’s undivided and proportionate ownership interest in Cominar. Each unit confers the right to one vote at any unitholders’ meeting and to participate equally and rateably in all Cominar distributions. All issued units are fully paid.

For the years ended December 31	2017		2016	
	Units	\$	Units	\$
Units issued and outstanding, beginning of year	182,334,562	3,234,693	170,912,647	3,063,920
Public offering	—	—	12,780,000	191,516
Repurchase of units under NCIB	(730,900)	(10,380)	(2,717,396)	(40,779)
Exercise of options	3,900	57	—	—
Distribution reinvestment plan	2,887,370	39,717	1,265,157	18,457
Conversion of deferred units and restricted units	134,565	1,908	94,154	1,579
Units issued and outstanding, end of year	184,629,497	3,265,995	182,334,562	3,234,693

During the fourth quarter of 2017, Cominar repurchased 730,900 units under its normal course issuer bid of a maximum of 17,596,591 units, at an average price of \$14.19, for a total consideration of \$10,380, including transaction costs.

LONG TERM INCENTIVE PLAN

Unit options

Cominar has granted unit options to management and employees under the long-term incentive plan. As at December 31, 2017, options to purchase 12,928,000 units were outstanding.

The following table shows characteristics of outstanding options at year-end:

As at December 31, 2017					
Date of grant	Graded vesting method	Expiration date	Exercise price \$	Outstanding options	Exercisable options
August 5, 2013	50%	August 5, 2018	20.09	150,000	150,000
December 17, 2013	33 1/3%	December 17, 2018	17.55	1,757,300	1,757,300
December 16, 2014	33 1/3%	December 16, 2019	18.07	1,996,300	1,996,300
December 15, 2015	33 1/3%	December 15, 2022	14.15	2,565,500	1,845,900
December 13, 2016	33 1/3%	December 13, 2023	14.90	2,995,700	1,267,700
August 24, 2017	33 1/3%	August 24, 2024	13.46	3,463,200	451,200
				12,928,000	7,468,400

As at December 31, 2017, the average weighted contractual life of outstanding options was 4.6 years [4.3 years as at December 31, 2016].

The following table presents changes in the number of options for the years indicated:

For the years ended December 31	2017		2016	
	Options	Weighted average exercise price \$	Options	Weighted average exercise price \$
Outstanding, beginning of year	12,455,450	17.02	10,493,750	18.15
Exercised	(3,900)	14.15	—	—
Granted	3,689,400	13.46	3,424,200	14.90
Forfeited or cancelled	(1,377,100)	15.83	(561,800)	17.51
Expired	(1,835,850)	23.05	(900,700)	21.80
Outstanding, end of year	12,928,000	15.28	12,455,450	17.02
Exercisable options, end of year	7,468,400	16.20	6,408,150	18.89

Restricted units

Restricted units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. When the vesting period is over, each restricted unit provides the right to receive one Cominar unit on the settlement date. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested three years after the date of the grant. For each cash distribution on Cominar units, an additional number of restricted units is granted to each participant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant.

The following table presents changes in the number of restricted units for the years indicated:

For the years ended December 31	2017	2016
	\$	\$
Outstanding, beginning of year	5,250	4,047
Exercised	(697)	(637)
Granted	—	1,373
Accrued distributions	473	467
Outstanding, end of year	5,026	5,250
Vested restricted units, end of year	—	—

Deferred units

Deferred units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. Each deferred unit provides the right to receive one Cominar unit when the holder ceases to be a Cominar trustee, member of management or employee. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested at a rate of 33 1/3% per anniversary year of the grant date. Once a year, the deferred unit holder can convert its vested deferred units into Cominar units. For each cash distribution on Cominar units, an additional number of deferred units is granted to each participant. The fair value of deferred units is represented by the market value of Cominar units on the date of the grant.

The following table presents changes in the number of deferred units for the years indicated:

For the years ended December 31	2017	2016
	\$	\$
Outstanding, beginning of year	161,676	180,434
Exercised	(133,868)	(93,517)
Granted	122,045	54,520
Accrued distributions	25,895	20,239
Outstanding, end of year	175,748	161,676
Vested deferred units, end of year	56,858	37,185

Unit-based compensation

The compensation expense related to the options granted in 2017 and 2016 was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility <sup>(1)</sup>	Exercise price <sup>(2)</sup>	Weighted average return	Weighted average risk-free interest rate	Weighted average expected life (years)	Weighted average fair value per unit
		\$				\$
December 13, 2016	14.34%	14.90	9.51%	1.04%	4.5	0.18
August 24, 2017	14.25%	13.46	8.47%	1.61%	6.0	0.20

(1) The volatility is estimated by considering the historical volatility of Cominar's units' price.  
(2) The exercise price of the options corresponds to the closing price of Cominar units the day before the grant.

The compensation expense related to restricted units and deferred units granted in March 2017 was calculated based on the market price of Cominar units on the grant date, which was \$14.52.

The overall compensation expense for the fiscal year was \$2,102 [\$1,028 in 2016].

A maximum of 16,819,525 units may be issued under the long-term incentive plan.

DISTRIBUTIONS TO UNITHOLDERS

Cominar is governed by a Contract of Trust whereby the trustees, under the discretionary power attributed to them, intend to distribute a portion of its distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before fair value adjustments, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

For the years ended December 31	2017	2016
	\$	\$
Distributions to unitholders	246,523	254,456
Distributions per unit	1.3325	1.4700

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to receive all cash distributions from Cominar automatically as additional units. The plan provides plan participants with a number of units equal to 103% of the cash distributions. For the year ended December 31, 2017, 2,887,370 units [1,265,157 in 2016] were issued for a total net consideration of \$39,770 [\$18,457 in 2016] under this plan.

On August 3, 2017, Cominar decreased the monthly distribution from \$0.1225 per unit to \$0.095 per unit and temporarily suspended the distribution reinvestment plan, beginning with the distribution of August 2017, which was payable in September 2017.

16) OPERATING LEASE INCOME

a) The future minimum lease payments from tenants are as follows:

	As at December 31, 2017
	\$
- Less than one year	473,097
- More than one year to five years	1,323,623
- More than five years	832,241

b) Contingent rents included in revenues for the year are as follows:

For the years ended December 31	2017	2016
	\$	\$
Contingent rents	7,219	7,417

17) OPERATING COSTS, PROPERTY MANAGEMENT EXPENSES AND TRUST ADMINISTRATIVE EXPENSES

The following table presents the main components of operating costs, property management expenses and Trust administrative expenses based on their nature:

For the years ended December 31	2017	2016
	\$	\$
Repairs and maintenance	69,759	68,209
Energy	65,851	66,063
Salaries and other benefits	58,990	50,088
Professional fees	2,574	2,205
Costs associated with public companies	653	556
Other expenses	32,673	31,149
	230,500	218,270

18) FINANCE CHARGES

For the years ended December 31	2017	2016
	\$	\$
Interest on mortgages payable	89,007	87,780
Interest on debentures	77,952	83,456
Interest on bank borrowings	14,867	9,747
Net amortization of premium and discount on debenture issues	(691)	(801)
Amortization of deferred financing costs and other costs	3,454	3,771
Amortization of fair value adjustments on assumed borrowings	(5,577)	(6,501)
Less: Capitalized interest <sup>(1)</sup>	(10,260)	(6,807)
Total finance charges	168,752	170,645

(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time. The weighted average interest rate used in 2017 was 4.13% [4.21% in 2016].

19) INCOME TAXES

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Taxation of distributions of specified investment flow-through (“SIFT”) trusts and exception for real estate investment trusts (“REITs”)

Since 2007, SIFT trusts are subject to income taxes on the distributions they make. In short, a SIFT trust is a trust that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

The SIFT trust rules do not apply to SIFT trusts that qualify as REITs for a given taxation year. Cominar has reviewed the conditions to qualify as a REIT. For the fiscal years ended December 31, 2017 and 2016, Cominar believes that it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules for 2017 and 2016 did not apply to Cominar and no deferred tax provision, be it an asset or liability, was recorded in relation to the Trust’s activities. Cominar’s management intends on taking the necessary steps to meet these conditions on an ongoing basis in the future.

Some of Cominar’s subsidiaries are subject to tax on their taxable income under the *Income Tax Act* (Canada) and the taxation acts of the provinces concerned.



The tax expense (income) differs from the amount calculated by applying the combined federal and provincial tax rate to income before income taxes. The following table presents the reasons for such difference:

For the years ended December 31	2017 \$	2016 \$
Income (loss) before income taxes	(396,759)	242,576
Canadian combined statutory tax rate	29.38%	28.16%
Tax expense (income) at the statutory tax rate	(116,568)	68,309
Loss (income) not subject to income tax	112,438	(68,107)
Other	(904)	636
Income taxes	(5,034)	838

Deferred taxes relating to incorporated subsidiaries are shown in the following table:

As at December 31	2017 \$	2016 \$
<b>Deferred tax assets to be recovered after more than 12 months</b>		
Mortgages payable	7	30
Tax losses	353	250
	360	280
<b>Deferred tax liabilities to be settled after more than 12 months</b>		
Investment properties	(7,041)	(11,995)
Deferred taxes (net)	(6,681)	(11,715)

Changes in the deferred income tax account were as follows:

For the years ended December 31	2017 \$	2016 \$
Balance, beginning of year	11,715	10,877
Tax expense (income) recorded in the consolidated statements of comprehensive income	(5,034)	838
Balance, end of year	6,681	11,715

Changes in deferred income tax assets and liabilities during the year, excluding the offsetting of balances within the same tax jurisdiction, were as follows:

	Mortgages payable \$	Tax losses \$	Total \$
<b>Deferred tax assets</b>			
Balance as at January 1, 2016	59	263	322
Origination and reversal of timing differences included in profit or loss	(29)	(13)	(42)
Balance as at December 31, 2016	30	250	280
Origination and reversal of timing differences included in profit or loss	(23)	103	80
<b>Balance as at December 31, 2017</b>	7	353	360

	Income properties \$
<b>Deferred tax liabilities</b>	
Balance as at January 1, 2016	(11,199)
Origination and reversal of timing differences included in profit or loss	(796)
Balance as at December 31, 2016	(11,995)
Origination and reversal of timing differences included in profit or loss	4,954
Balance as at December 31, 2017	(7,041)

20) PER UNIT CALCULATION BASIS

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income (net loss) per unit for the years indicated:

For the years ended December 31	2017 Units	2016 Units
Weighted average number of units outstanding – basic	184,213,583	172,131,831
Dilutive effect related to the long-term incentive plan	–	373,596
Weighted average number of units outstanding – diluted	184,213,583	172,505,427

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 12,928,000 options outstanding for the year ended December 31, 2017 [7,140,850 options in 2016] due to the fact that the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units or due to the fact that they are antidilutive.

## 21) SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31	2017 \$	2016 \$
Accounts receivable	(8,623)	14,238
Prepaid expenses	(1,052)	(1,572)
Accounts payable and accrued liabilities	4,685	(5,320)
Changes in non-cash working capital items	(4,990)	7,346
<b>Other information</b>		
Accounts payable and accrued liabilities relating to investing activities	14,834	11,898
Accounts receivable relating to investing activities	11,814	—

## 22) RELATED PARTY TRANSACTIONS

During fiscal years 2016 and 2017, Michel Dallaire and Alain Dallaire were trustees and members of Cominar's management team, and they exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer to replace Michel Dallaire. This appointment was part of the succession plan put in place by the Board of Trustees when Sylvain Cossette joined Cominar in 2013 as President and Chief Operating Officer. On the same day, January 1, 2018, Sylvain Cossette was appointed as a trustee of Cominar to fill the vacancy created by the departure of Alain Dallaire as trustee. On February 12, 2018, Alban D'Amours was appointed as Chairman of the Board of Cominar following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, Alain Dallaire is neither an employee nor a director of Groupe Dallaire.

In 2016 and 2017, Cominar entered into transactions with those related companies in the normal course of business, the details of which are as follows:

For the years ended December 31	Note	2017 \$	2016 \$
Investment properties – Capital costs		138,129	86,639
Acquisition of an additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis	4	10,016	—
Investment properties held by joint ventures – Acquisition		—	6,204
Investment properties held by joint ventures – Capital costs		3,263	2,958
Recovery of mortgage receivable		(8,250)	—
Acquisition of an additional ownership interest in the joint venture Société en commandite Complexe Jules-Dallaire	8	21,190	—
Share of joint ventures' net income	8	5,276	8,006
Net rental revenue from investment properties		313	301
Interest income		140	280

Balance as at December 31	Note	2017 \$	2016 \$
Investments in joint ventures	8	86,299	90,194
Mortgage receivable		—	8,250
Accounts receivable	10	1,969	1,182
Accounts payable	14	15,696	7,624

The leasehold improvement, repair and maintenance work on properties carried out by Dalcon Inc. are invoiced at cost plus a 5.0% markup. For construction projects, the work is invoiced at cost plus a 2.5% markup. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant time and cost savings while providing better service to its clients.

Leasing of commercial space with the related companies is carried out at the market rate for similar spaces.

## 23) KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation of key management personnel is set out in the following table:

For the years ended December 31	2017 \$	2016 \$
Short-term benefits	5,717	4,928
Contribution to the retirement savings plans	179	169
Long-term incentive plan	1,351	650
Retirement allowance	5,400	—
<b>Total</b>	<b>12,647</b>	<b>5,747</b>

Unit options granted to senior executives and other officers may not be exercised, even if they have vested, until the following three conditions have been met. The first condition requires that the market price of the security must be at least ten percent (10%) higher than the exercise price of the option, and this condition will be considered as met if the unit price has remained at such level for a period of twenty (20) consecutive trading days during the option's term. The second condition requires that the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary. The third condition is that when the options are exercised, if the senior executive or other officer does not hold the required minimum number of units, he must retain at least five percent (5%) of the units purchased until he has the multiple corresponding to his base salary.

24) CAPITAL MANAGEMENT

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing returns for unitholders by adequately maintaining the debt ratio. Cominar’s capital consists of cash and cash equivalents, long-term debt, bank borrowings and unitholders’ equity.

Cominar’s capitalization is based on expected business growth and changes in the economic environment. It is not subject to any capital requirements imposed by regulatory authorities.

Cominar’s capitalization is as follows:

As at December 31	2017	2016
	\$	\$
Cash and cash equivalents	(6,928)	(9,853)
Mortgages payable	2,150,126	2,048,009
Debentures	1,721,577	1,970,566
Bank borrowings	620,366	332,121
Unitholders’ equity	3,208,761	3,815,513
Total capitalization	7,693,902	8,156,356
Debt ratio <sup>(1)</sup>	57.4%	52.4%
Interest coverage ratio <sup>(2)</sup>	2.43:1	2.65:1

(1) The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and debentures, divided by total assets less cash and cash equivalents.  
(2) The interest coverage ratio is equal to net operating income (operating revenues less operating expenses) less Trust administrative expenses divided by finance charges.

Cominar’s Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of its assets (65% if convertible debentures are outstanding). As at December 31, 2017, Cominar had maintained a debt ratio of 57.4%.

The interest coverage ratio is used to assess Cominar’s ability to pay interest on its debt from operating revenues. As such, for the year ended December 31, 2017, the interest coverage ratio was 2.43:1, reflecting Cominar’s capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

25) FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments measured at fair value. The hierarchy reflects the relative weight of inputs used in the valuation. The levels in the hierarchy are:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

Cominar’s policy is to recognize transfers between hierarchy levels on the date of changes in circumstances that caused the transfer. There were no transfers made between hierarchy levels during fiscal years 2017 and 2016.

The fair value of cash and cash equivalents, mortgages receivable, accounts receivable, accounts payable and accrued liabilities and bank borrowings approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

CLASSIFICATION

Non-financial assets and their carrying amount and fair value as well as financial liabilities and their carrying amount and fair value, when that fair value does not approximate the carrying amount, are classified as follows:

		December 31, 2017		December 31, 2016	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
<b>Recurring valuations of non-financial assets</b>					
Income properties	3	6,239,383	6,239,383	7,676,134	7,676,134
Investment properties held for sale	3	1,143,500	1,143,500	143,130	143,130
Land held for future development	3	91,580	91,580	90,820	90,820
<b>Financial liabilities</b>					
Mortgages payable	2	2,150,126	2,153,043	2,048,009	2,104,025
Debentures	2	1,721,577	1,739,278	1,970,566	2,019,802

26) FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The main risks arising from Cominar’s financial instruments are credit risk, interest rate risk and liquidity risk. The strategy for managing these risks is summarized below.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.

Cominar mitigates credit risk via segment and geographic portfolio diversification, staggered lease maturities, and diversification of revenue sources through a varied tenant mix as well as by avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified retail client base consisting of about 5,700 clients occupying an average of approximately 7,000 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.8%, 4.7% and 4.2% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.8% of operating revenues come from government agencies, representing approximately 100 leases.

Cominar regularly assesses its accounts receivable and records a provision for doubtful accounts when there is a risk of non-collection.

The maximum credit risk to which Cominar is exposed corresponds to the carrying amount of accounts receivable and the cash and cash equivalents position.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cominar’s objective in managing this risk is to minimize the net impact on future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its borrowings over several years and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for the receivables bearing interest, and accounts payable and accrued liabilities do not bear interest.

Almost all mortgages payable and all debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings, which bear interest at variable rates.



As required under IFRS, a 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have impacted Cominar’s net income by more or less \$1,195 for the year ended December 31, 2017 [\$1,543 in 2016].

Liquidity risk

Liquidity risk is the risk that Cominar will be unable to meet its financial obligations as they come due.

Cominar manages this risk by managing its capitalization, continuously monitoring current and projected cash flows and adhering to its capital management policy.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2017 are as follows:

Cash flows				
	Note	Under one year \$	One to five years \$	Over five years \$
Mortgages payable	11	724,595	785,781	1,095,321
Debentures	12	72,921	1,663,211	234,556
Bank borrowings	13	22,016	633,016	—
Accounts payable and accrued liabilities <sup>(1)</sup>	14	106,863	—	—

(1) Excludes consumption taxes and other non-financial liabilities

27) SEGMENT INFORMATION

Cominar’s activities include a diversified portfolio of three property types located in several Canadian provinces. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies in note 2. Cominar uses net operating income as its main criterion to measure operating performance, that is, the operating revenues less the operating expenses of its investment properties. Management of expenses, such as interest and administrative expenses, is centralized and, consequently, these expenses have not been allocated to Cominar’s segments.

The segments include Cominar’s proportionate share in joint ventures. The *Joint ventures* columns reconcile the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on Cominar’s three property types:

For the year ended	Office properties	Retail properties	Industrial and mixed-use properties	Cominar’s proportionate share	Joint ventures	Consolidated financial statements
December 31, 2017	\$	\$	\$	\$	\$	\$
Rental revenue from investment properties	372,757	312,752	163,331	848,840	(13,351)	835,489
Net operating income	184,270	162,965	96,351	443,586	(7,549)	436,037
Share of joint ventures’ net income	—	—	—	—	5,276	5,276
December 31, 2016	\$	\$	\$	\$	\$	\$
Rental revenue from investment properties	380,761	334,187	162,147	877,095	(10,113)	866,982
Net operating income	193,309	183,961	97,084	474,354	(5,745)	468,609
Share of joint ventures’ net income	—	—	—	—	8,006	8,006

	Office properties	Retail properties	Industrial and mixed-use properties	Cominar’s proportionate share	Joint ventures	Consolidated financial statements
As at December 31, 2017	\$	\$	\$	\$	\$	\$
Income properties	2,554,803	2,492,891	1,355,164	6,402,858	(163,475)	6,239,383
Investment properties held for sale	600,552	381,707	161,241	1,143,500	—	1,143,500
Investments in joint ventures	—	—	—	—	86,299	86,299
As at December 31, 2016	\$	\$	\$	\$	\$	\$
Income properties	3,327,390	2,974,870	1,473,071	7,775,331	(99,197)	7,676,134
Investment properties held for sale	—	93,630	49,500	143,130	—	143,130
Investments in joint ventures	—	—	—	—	90,194	90,194

28) COMMITMENTS

The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total fair value of \$49,692, are as follows:

For the years ending December 31	Emphyteutic Leases \$
2018	634
2019	634
2020	648
2021	654
2022	689
2023 and thereafter	21,832

Cominar has no significant contractual commitments other than those arising from its long-term debt and payments due under emphyteutic leases on land held for income properties.

29) SUBSEQUENT EVENTS

On January 10, 2018, Cominar announced the increase of its normal course issuer bid (“NCIB”), increasing the maximum number of units it intends to repurchase for cancellation from 9,000,000 units to 17,596,591 units. Under this NCIB, Cominar has repurchased, since the beginning of fiscal year 2018, 2,709,500 units at an average price of \$14.58, for a total consideration of \$39,517 paid cash. Since December 19, 2017, Cominar has repurchased a total of 3,440,400 units at an average price of \$14.50, for a total consideration of \$49,891 paid cash.

On January 15 and February 15, 2018, Cominar declared a monthly distribution of \$0.095 per unit for each of these months.

Subsequent to the end of fiscal 2017, Cominar entered into the following loans: a \$75,000 bridge loan bearing interest at the prime rate plus 110 basis points or at the bankers’ acceptance rate plus 210 basis points and repayable on the closing of the \$1,143,500 sale of investment properties, a 10-year \$42,500 mortgage payable, bearing interest at 4.484% and a 5-year \$45,000 mortgage payable, bearing interest at prime rate plus 90 basis points or 4.00%, whichever is greater. The net proceeds from these loans were used to repay a portion of the unsecured revolving operating and acquisition credit facility.

On February 12, 2018, Alban D’Amours was appointed as Cominar’s Chairman of the Board of Trustees following the departure of Michel Dallaire.

On March 7, 2018, Cominar decreased the monthly distribution from \$0.095 per unit to \$0.06 per unit, beginning with the distribution of March 2018, payable in April 2018.

# CORPORATE INFORMATION



## BOARD OF TRUSTEES

**Alban D’Amours, CM, GOQ, LH, Fellow Adm.A.** <sup>(1)(3)</sup>

Corporate Director  
Chairman of the Board of Trustees

**Luc Bachand** <sup>(1)(4)</sup>

Corporate Director

**Mary-Ann Bell, Eng., M.Sc., ASC** <sup>(2)(4)</sup>

Corporate Director

**Sylvain Cossette, B.C.L.**

President and Chief Executive Officer  
Cominar Real Estate Investment Trust

**Ghislaine Laberge** <sup>(2)(4)</sup>

Corporate Director

## KEY OFFICERS

**Sylvain Cossette, B.C.L.**

President and Chief Executive Officer

**Alain Dallaire**

Executive Vice President and  
Chief Operating Officer

**Gilles Hamel, CPA, CA**

Executive Vice President and  
Chief Financial Officer

**Guy Charron, CPA, CA**

Executive Vice President,  
Operations Retail

**Wally Commisso**

Executive Vice President,  
Operations and Property Management

**Johanne M. Lépine** <sup>(3)(4)</sup>

President and Chief Executive Officer  
Aon Parizeau Inc.

**Michel Théroux, FCPA, FCA** <sup>(1)(3)</sup>

Corporate Director

**Claude Dussault, B. Sc.** <sup>(1)(2)</sup>

President  
Placements ACVA Inc.

<sup>(1)</sup> Member of the Audit Committee  
<sup>(2)</sup> Member of the Compensation Committee  
<sup>(3)</sup> Member of the Nomination and Governance Committee  
<sup>(4)</sup> Member of the Investment Committee

**Todd Bechard, CPA, CMA, CFA**

Executive Vice President, Acquisitions

**Jean Laramée, Eng.**

Executive Vice President, Development

**Michael Racine**

Executive Vice President, Leasing  
Office and Industrial

**Manon Deslauriers**

Vice President, Legal Affairs and  
Corporate Secretary

# UNITHOLDERS INFORMATION



## COMINAR REAL ESTATE INVESTMENT TRUST

Complexe Jules-Dallaire – T3  
2820 Laurier Boulevard, Suite 850  
Québec, Quebec, Canada G1V 0C1

Tel.: 418 681-8151  
Fax: 418 681-2946  
Toll-free: 1-866 COMINAR  
Email: [info@cominar.com](mailto:info@cominar.com)  
Website: [www.cominar.com](http://www.cominar.com)

## LISTING

The units of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbol CUF.UN.

## TRANSFER AGENT

Computershare Trust Company of Canada  
1500 Robert-Bourassa Blvd., Suite 700  
Montréal, Quebec, Canada H3A 3S8

Tel.: 514 982-7555  
Fax: 514 982-7580  
Toll-free: 1-800 564-6253  
Email: [service@computershare.com](mailto:service@computershare.com)

## TAXABILITY OF DISTRIBUTIONS

In 2017, 89.72% of the distributions made by Cominar to unitholders were returns of capital, reducing the adjusted cost base of the units.

## LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

## AUDITORS

PricewaterhouseCoopers LLP

## ANNUAL MEETING OF UNITHOLDERS

May 16, 2018  
11:00 a.m. (HAE)  
Hôtel Plaza Québec  
3031 Laurier Boulevard  
Québec (Québec)

## UNITHOLDERS DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholders Distribution Reinvestment Plan (the “DRIP”). The DRIP allows participants to receive their monthly distributions as additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 3% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

On August 3, 2017, Cominar temporarily suspended the distribution reinvestment plan, starting with the distribution of August 2017, which was payable in September 2017. If Cominar decides to resume the plan in the future, the unitholders who were registered in the plan at the time of its suspension and who are still registered at the time of its resumption shall automatically resume their participation in the plan.

For further information about the DRIP, please refer to the DRIP section of our website at [www.cominar.com](http://www.cominar.com) or contact us by email at [info@cominar.com](mailto:info@cominar.com) or contact the Transfer Agent.



