# CONTINUING GROWTH

INTERIM REPORT

COMINAR REAL ESTATE INVESTMENT TRUST
Quarter ended March 31, 2015

# TABLE OF CONTENTS

# MESSAGE TO UNITHOLDERS

Our first-quarter results of fiscal 2015 reflect the contribution of our growth strategy through acquisitions and are aligned with our positive organic growth strategy objectives. We are presenting, for the fourth consecutive quarter, increased same property net operating income which stands at 1.4% for the first quarter of 2015 compared to the same period of 2014.

One of the highlights of the first quarter is a public offering of units for $155.3 million. This issuance materialized our debt ratio decrease (excluding convertible debentures) to 52.0% as at March 31, 2015.

Our cautious and effective allocation of Cominar's debt helped us maintain as at March 31, 2015, the senior unsecured debts-to-total-debt ratio at 52.2%, and our unencumbered assets at $3.7 billion. There has been an improvement of the unencumbered assets ratio, from 1.54:1 as at December 31, 2014 to 1.61:1 as at March 31, 2015.

At the operational level, we continue, when this proves necessary, to adjust our leasing policies by giving priority to the occupancy rate in the most affected markets and segments.

Our redevelopment projects continue to provide us with substantial benefits. Indeed, despite the difficulties experienced by some retailers, we can see that the investments made during the last two years in some of our shopping centres have helped to generate sales growth in the first quarter of 2015 compared to the same quarter in 2014.

As part of our development activities, we continue to invest in projects, which are either being revitalized or being planned. These projects will bring in greater profitability than acquisitions, but require a longer completion cycle.

At the end of the first quarter, we remain focused on controlling our costs and optimizing our clients' satisfaction and the occupancy rate of our properties. We rely on the quality of our assets, our expertise in operational and financial management and our high standards in terms of client service to continue to move forward in the real estate market in the best interests of our unitholders, while remaining open to potential growth opportunities.

Michel Dallaire, Eng.
President and Chief Executive Officer
May 5, 2015

# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim 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 quarter ended March 31, 2015, in comparison with the same quarter of 2014, as well as its financial position as at that date and its outlook. Dated May 5, 2015, this interim MD&A reflects all significant information available as of that date and should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual 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 condensed interim 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 interim MD&A present the consolidated balance sheets and interim 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 the Trust's condensed interim 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 interim MD&A.

Additional information on Cominar, including its 2014 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

# HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2015

## INCREASES

IN OPERATING REVENUES OF **32.1%**

IN NET OPERATING INCOME OF **31.2%**

IN RECURRING FUNDS FROM OPERATIONS OF **29.2%**

IN RECURRING ADJUSTED FUNDS FROM OPERATIONS OF **29.4%**

IN SAME PROPERTY NET OPERATING INCOME **1.4%**

IN RETENTION RATE **41.4%**

CLOSING OF A PUBLIC OFFERING OF UNITS FOR
**$155.3 million**

DECREASE OF DEBT RATIO TO
**52.0%**
(excluding convertible debentures)

INTEREST COVERAGE RATIO
**2.65:1**

SENIOR UNSECURED DEBTS-TO-TOTAL-DEBT RATIO
**52.2%**

IMPROVEMENT IN THE UNENCUMBERED ASSETS TO UNSECURED DEBT RATIO
**1.61:1**

## SUBSEQUENT EVENTS

On April 17, 2015, Cominar declared a distribution of $0.1225 per unit for this month.

On April 23, 2015, Cominar acquired a portfolio of 3 industrial properties with total leasable area of approximately 697,000 square feet, located in the greater Montréal area, for a purchase price of $34.5 million paid in cash. The capitalization rate for this transaction is 8.1%.

## 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 2015 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 to raise capital to finance growth as well as the interest rate variations.

We caution 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 interim 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 interim MD&A, as well as in the “Risk Factors” section of Cominar’s 2014 Annual Information Form.

## NON-IFRS FINANCIAL MEASURES

In this interim MD&A, we provide guidance and report on certain non-IFRS measures, including “net operating income,” “adjusted net income,” “recurring distributable income,” “recurring funds from operations,” “recurring adjusted funds 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;
- **Recurring distributable income ("DI") per unit**, which represents a benchmark that investors can use to evaluate the stability of distributions;
- **Recurring funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity's performance;
- **Recurring adjusted funds from operations ("AFFO") per unit**, which, by excluding the items not affecting cash flows and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, provides a meaningful measure of Cominar's ability to generate stable cash flows;
- **Payout ratio of recurring distributable income**, which allows investors to assess the stability of distributions;
- **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;
- **Leasable area growth**, a decisive factor in Cominar's strategy for reaching its main objectives of providing unitholders with growing cash distributions and increasing and maximizing unit value;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk (refer to the *Results of Operations* section).

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 quarters ended March 31 | 2015 | 2014 | % Δ | Page |
|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** | | | | |
| Operating revenues – Financial statements | **229,411** | 173,671 | 32.1 | 13 |
| Operating revenues – Cominar's proportionate share[(1)] | **231,868** | 175,826 | 31.9 | 15 |
| Net operating income[(1)] – Financial statements | **119,066** | 90,778 | 31.2 | 13 |
| Net operating income[(1)] – Cominar's proportionate share | **120,252** | 91,993 | 30.7 | 15 |
| Same property net operating income[(1)] | **86,619** | 85,465 | 1.4 | 15 |
| Net income | **71,153** | 55,070 | 29.2 | 17 |
| Adjusted net income[(1)] | **71,153** | 55,070 | 29.2 | 10 |
| Recurring distributable income[(1)] | **63,697** | 49,009 | 30.0 | 18 |
| Recurring funds from operations[(1)] | **71,983** | 55,700 | 29.2 | 20 |
| Recurring adjusted funds from operations[(1)] | **62,516** | 48,319 | 29.4 | 21 |
| Distributions | **62,369** | 46,277 | 34.8 | 18 |
| Total assets | **8,191,866** | 6,278,966 | 30.5 | 12 |
| **PER UNIT FINANCIAL PERFORMANCE** | | | | |
| Net income (basic) | **0.43** | 0.43 | — | 17 |
| Adjusted net income (basic)[(1)] | **0.43** | 0.43 | — | 10 |
| Recurring distributable income (basic)[(1)] | **0.39** | 0.39 | — | 18 |
| Recurring funds from operations (FD)[(1)(2)] | **0.44** | 0.44 | — | 20 |
| Recurring adjusted funds from operations (FD)[(1)(2)] | **0.38** | 0.38 | — | 21 |
| Distributions | **0.368** | 0.360 | 2.2 | 18 |
| Payout ratio of recurring DI | **94.4%** | 92.3% | | 18 |
| Payout ratio of recurring adjusted funds from operations | **96.8%** | 94.7% | | 21 |
| Cash payout ratio of recurring adjusted funds from operations | **66.1%** | 67.1% | | 21 |
| **FINANCING** | | | | |
| Overall debt ratio[(3)] | **54.2%** | 52.3% | | 25 |
| Debt ratio (excluding convertible debentures) | **52.0%** | 49.4% | | 25 |
| Interest coverage ratio[(4)] | **2.65:1** | 2.68:1 | | 25 |
| Weighted average interest rate on total debt | **4.27%** | 4.75% | | 24 |
| Residual weighted average term of total debt (years) | **4.0** | 4.9 | | 24 |
| Senior unsecured debts-to-total-debt ratio[(5)] | **52.2%** | 36.5% | | 23 |
| Unencumbered income properties | **3,725,581** | 1,586,304 | | 23 |
| Unencumbered assets ratio[(6)] | **1.61:1** | 1.32:1 | | 23 |
| **OPERATIONAL DATA** | | | | |
| Number of investment properties | **563** | 513 | | 26 |
| Leasable area (in thousands of sq. ft.) | **45,252** | 38,342 | | 26 |
| Occupancy rate | **93.7%** | 93.1% | | 27 |
| Retention rate | **41.4%** | 40.8% | | 28 |
| Growth in average net rent of renewed leases | **0.1%** | 3.2% | | 28 |
| **DEVELOPMENT ACTIVITIES** | | | | |
| Value of properties under development | **55,703** | 68,253 | | 12 |

*(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, debentures and convertible debentures divided by total assets less cash and cash equivalents.*
*(4) Net operating income less Trust administrative expenses divided by finance charges.*
*(5) Senior unsecured debts divided by total debt.*
*(6) Fair value of unencumbered income properties divided by the unsecured debt (excluding convertible debentures).*

# SELECTED QUARTERLY INFORMATION

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

| For the quarters ended | March 31, 2015 | Dec. 31, 2014 | Sept. 30, 2014 | June 30, 2014 | March 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | June 30, 2013 |
|---|---|---|---|---|---|---|---|---|
| Operating revenues – Financial statements | **229,411** | 217,492 | 171,262 | 177,459 | 173,671 | 163,150 | 161,470 | 167,840 |
| Operating revenues – Cominar's proportionate share(5) | **231,868** | 219,734 | 173,497 | 179,625 | 175,826 | 163,150 | 161,470 | 167,840 |
| Net operating income(5) – Financial statements | **119,066** | 125,435 | 97,792 | 97,274 | 90,778 | 93,217 | 93,338 | 91,733 |
| Net operating income(5) – Cominar's proportionate share | **120,252** | 126,539 | 99,131 | 98,539 | 91,993 | 93,217 | 93,338 | 91,733 |
| Net income | **71,153** | 45,827(1)(4) | 38,997(3) | 59,559 | 55,070 | 74,568(1) | 58,348 | 62,356 |
| Adjusted net income(5) | **71,153** | 77,497 | 61,022 | 59,559 | 55,070 | 57,418 | 56,620 | 54,741 |
| Recurring DI(5) | **63,697** | 70,517 | 53,579 | 52,051 | 49,009 | 50,768 | 51,369 | 48,473 |
| Recurring FFO(5) | **71,983** | 77,429 | 61,713 | 60,308 | 55,700 | 58,475 | 57,193 | 54,797 |
| Recurring AFFO(5) | **62,516** | 68,541 | 52,331 | 51,172 | 48,319 | 49,044 | 50,593 | 47,765 |
| Distributions | **62,369** | 59,199 | 51,211 | 46,688 | 46,277 | 46,338 | 45,886 | 45,598 |
| PER UNIT | | | | | | | | |
| Net income (basic) | **0.43** | 0.29(1)(4) | 0.30(3) | 0.47 | 0.43 | 0.59(1) | 0.46 | 0.50 |
| Net income (diluted) | **0.43** | 0.29(1)(4) | 0.30(3) | 0.45 | 0.42 | 0.58(1) | 0.46 | 0.48 |
| Adjusted net income (basic)(5) | **0.43** | 0.49 | 0.47 | 0.47 | 0.43 | 0.46 | 0.45 | 0.44 |
| Recurring DI (basic)(5) | **0.39** | 0.45 | 0.41 | 0.41 | 0.39 | 0.40 | 0.41 | 0.39 |
| Recurring FFO (FD)(2)(5) | **0.44** | 0.49 | 0.47 | 0.47 | 0.44 | 0.46 | 0.45 | 0.43 |
| Recurring AFFO (FD)(2)(5) | **0.38** | 0.43 | 0.40 | 0.40 | 0.38 | 0.39 | 0.40 | 0.38 |
| Distributions | **0.368** | 0.368 | 0.365 | 0.360 | 0.360 | 0.360 | 0.360 | 0.360 |

*(1) Includes the change in fair value of investment properties.*
*(2) Fully diluted*
*(3) Includes non-recurring transaction costs of $21.5 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion in 2014.*
*(4) Includes non-recurring transaction costs of $5.2 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion in 2014.*
*(5) Non-IFRS financial 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 March 31, 2015, Cominar owned and managed a high-quality portfolio of 563 properties including 136 office buildings, 196 retail buildings and 231 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 45.3 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, increasing the value of its assets to $8.2 billion as at March 31, 2015.

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

**PROPERTIES SUMMARY AS AT MARCH 31, 2015**

| Segment | Number of properties | Leasable area (sq. ft.) | Occupancy rate (%) |
|---|---|---|---|
| Office | 136 | 14,994,000 | 92.5 |
| Retail | 196 | 12,845,000 | 93.7 |
| Industrial and mixed-use | 231 | 17,413,000 | 94.8 |
| **TOTAL** | **563** | **45,252,000** | **93.7** |

# OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide unitholders with stable and growing 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.

To reach its objectives, Cominar continues to manage growth, operational risks and debt in a flexible and prudent manner.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, Cominar generally aims to maintain a debt ratio of approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 60% (65% if convertible debentures are outstanding). In addition, Cominar is targeting a payout ratio that should annually be under 90% of distributable income.

Cominar seeks to pursue acquisition and development opportunities that allow for economies of scale benefiting both clients and Cominar in terms of operating cost savings and efficient property management operations.

To sustain and eventually increase the pace of its growth, Cominar is developing new markets outside the province of Quebec, as demonstrated by certain large acquisitions realized over the past three years. Through this strategy, Cominar has enhanced its geographical diversification. Cominar also intends to keep investing in Quebec in order to benefit from the competitive advantage it has in this market. Cominar will mainly grow through acquisitions and development projects.

# RECONCILIATIONS TO COMINAR'S PROPORTIONATE SHARE

According to IFRS 11, joint ventures are accounted for under the equity method in Cominar's condensed interim consolidated financial statements. Management considers that presenting operating and financial results including Cominar's proportionate share of 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 condensed interim consolidated financial statements prepared in accordance with IFRS and condensed interim consolidated financial statements including its proportionate share of assets, liabilities, revenues and charges of its joint ventures.

| As at March 31, 2015 | Condensed interim consolidated financial statements | Joint ventures | Cominar's proportionate share |
|---|---|---|---|
| | $ | $ | $ |
| ASSETS | | | |
| Investment properties | | | |
| Income properties | 7,731,182 | 86,766 | 7,817,948 |
| Properties under development | 55,703 | 4,400 | 60,103 |
| Land held for future development | 69,661 | 24,706 | 94,367 |
| | 7 856 546 | 115 872 | 7 972 418 |
| Investments in joint ventures | 59,209 | (59,209) | — |
| Goodwill | 166,971 | — | 166,971 |
| Mortgage receivable | 8,250 | — | 8,250 |
| Accounts receivable | 53,557 | (189) | 53,368 |
| Prepaid expenses and other assets | 42,932 | 614 | 43,546 |
| Cash and cash equivalents | 4,401 | 169 | 4,570 |
| **Total assets** | **8,191,866** | **57,257** | **8,249,123** |
| LIABILITIES | | | |
| Mortgages payable | 1,942,992 | 52,038 | 1,995,030 |
| Debentures | 1,945,944 | — | 1,945,944 |
| Convertible debentures | 183,425 | — | 183,425 |
| Bank borrowings | 372,086 | 3,637 | 375,723 |
| Accounts payable and accrued liabilities | 129,996 | 1,582 | 131,578 |
| Deferred tax liability | 10,411 | — | 10,411 |
| Distributions payable to unitholders | 20,834 | — | 20,834 |
| **Total liabilities** | **4,605,688** | **57,257** | **4,662,945** |
| UNITHOLDERS' EQUITY | | | |
| Unitholders' equity | 3,586,178 | — | 3,586,178 |
| **Total liabilities and unitholders' equity** | **8,191,866** | **57,257** | **8,249,123** |

| For the quarters ended March 31 | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Condensed interim consolidated financial statements | Joint ventures | Cominar's proportionate share | Condensed interim consolidated financial statements | Joint ventures | Cominar's proportionate share |
| | $ | $ | $ | $ | $ | $ |
| **Operating revenues** | | | | | | |
| Rental revenue from investment properties | **229,411** | **2,457** | **231,868** | 173,671 | 2,155 | 175,826 |
| **Operating expenses** | | | | | | |
| Operating costs | **52,783** | **384** | **53,167** | 39,636 | 335 | 39,971 |
| Realty taxes and services | **53,434** | **833** | **54,267** | 39,934 | 558 | 40,492 |
| Property management expenses | **4,128** | **54** | **4,182** | 3,323 | 47 | 3,370 |
| | **110,345** | **1,271** | **111,616** | 82,893 | 940 | 83,833 |
| **Net operating income** | **119,066** | **1,186** | **120,252** | 90,778 | 1,215 | 91,993 |
| Finance charges | **(44,142)** | **(629)** | **(44,771)** | (33,236) | (557) | (33,793) |
| Trust administrative expenses | **(4,227)** | **—** | **(4,227)** | (2,975) | — | (2,975) |
| Share of net income from investment in joint ventures | **557** | **(557)** | **—** | 658 | (658) | — |
| **Income before income taxes** | **71,254** | **—** | **71,254** | 55,225 | — | 55,225 |
| **Income taxes** | **(101)** | **—** | **(101)** | (155) | — | (155) |
| **Net income and comprehensive income** | **71,153** | **—** | **71,153** | 55,070 | — | 55,070 |

# PERFORMANCE ANALYSIS

## OPERATIONAL RESULTS – COMINAR'S PROPORTIONATE SHARE

The following table summarizes our main operating results including Cominar's proportionate share for the quarters ended March 31, 2015 and 2014.

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Operating revenues | **231,868** | 175,826 | 31.9 |
| Operating expenses | **111,616** | 83,833 | 33.1 |
| Net operating income | **120,252** | 91,993 | 30.7 |
| Finance charges | **(44,771)** | (33,793) | 32.5 |
| Trust administrative expenses | **(4,227)** | (2,975) | 42.1 |
| Income taxes | **(101)** | (155) | (34.8) |
| Net income | **71,153** | 55,070 | 29.2 |

### NON-IFRS FINANCIAL MEASURES

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Adjusted net income | **71,153** | 55,070 | 29.2 |
| Recurring distributable income | **63,697** | 49,009 | 30.0 |
| Distributions | **62,369** | 46,277 | 34.8 |
| Recurring funds from operations | **71,983** | 55,700 | 29.2 |
| Recurring adjusted funds from operations | **62,516** | 48,319 | 29.4 |

## FINANCIAL POSITION – COMINAR'S PROPORTIONATE SHARE

The following table summarizes assets and liabilities as well as unitholders' equity including Cominar's proportionate share as at March 31, 2015 and December 31, 2014:

| | March 31, 2015 | December 31, 2014 | $ Δ | % Δ |
|---|---|---|---|---|
| ASSETS | | | | |
| Investment properties | | | | |
| Income properties | **7,817,948** | 7,784,542 | 33,406 | 0.4 |
| Properties under development and land held for future development | **154,470** | 130,757 | 23,713 | 18.1 |
| Goodwill | **166,971** | 166,971 | — | — |
| Other assets | **109,734** | 81,794 | 27,940 | 34.2 |
| **Total** | **8,249,123** | 8,164,064 | 85,059 | 1.0 |
| LIABILITIES | | | | |
| Mortgages payable | **1,995,030** | 2,021,246 | (26,216) | (1.3) |
| Debentures | **1,945,944** | 1,945,627 | 317 | — |
| Convertible debentures | **183,425** | 183,081 | 344 | 0.2 |
| Bank borrowings | **375,723** | 457,323 | (81,600) | (17.8) |
| Other liabilities | **162,823** | 146,356 | 16,467 | 11.3 |
| **Total** | **4,662,945** | 4,753,633 | (90,688) | (1.9) |
| UNITHOLDERS' EQUITY | **3,586,178** | 3,410,431 | 175,747 | 5.2 |
| **Total** | **8,249,123** | 8,164,064 | 85,059 | 1.0 |

# RESULTS OF OPERATIONS

## OPERATING REVENUES

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Same property portfolio – Financial statements | **167,976** | 167,606 | 0.22 |
| Same property portfolio – Joint ventures | **2,457** | 2,155 | 14.0 |
| Same property portfolio[(1)] – Cominar's proportionate share | **170,433** | 167,606 | 1.7 |
| Acquisitions and developments – Financial statements | **61,435** | 8,220 | 647.4 |
| **Total operating revenues – Cominar's proportionate share** | **231,868** | 175,826 | 31.9 |

*(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2013, except for the property sold in 2014, but does not include the results of properties acquired and those under development in 2014 and 2015.*

During the first quarter of 2015, operating revenues rose 31.9% from the comparable period of 2014. This increase resulted primarily from the contribution of acquisitions completed in 2014.

## NET OPERATING INCOME

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Same property portfolio – Financial statements | **85,421** | 84,250 | 1.4 |
| Same property portfolio – Joint ventures | **1,198** | 1,215 | (1.4) |
| Same property portfolio[(1)] – Cominar's proportionate share | **86,619** | 85,465 | 1.4 |
| Acquisitions and developments – Financial statements | **33,633** | 6,528 | 415.2 |
| **Total net operating income – Cominar's proportionate share** | **120,252** | 91,993 | 30.7 |

*(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2013, except for the property sold in 2014, but does not include the results of properties acquired and those under development in 2014 and 2015.*

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, finance charges, Trust administrative expenses, restructuring charges, transaction costs – business combination 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.

Overall NOI rose 30.7% during the first quarter of 2015, from the comparable period of 2014, due mainly to the acquisitions completed in 2014. During the first quarter of 2015, net operating income of our same property portfolio increased 1.4% compared to the same period of 2014.

## SEGMENT NET OPERATING INCOME

### BY OPERATING SEGMENT

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Operating segment | | | |
| Office | **52,155** | 48,221 | 8.2 |
| Retail | **45,415** | 23,031 | 97.2 |
| Industrial and mixed-use | **22,682** | 20,741 | 9.4 |
| **Total net operating income – Cominar’s proportionate share** | **120,252** | 91,993 | 30.7 |

| For the quarters ended March 31 | 2015 | 2014 |
|---|---|---|
| Operating segment | | |
| Office | **43.4%** | 52.4% |
| Retail | **37.7%** | 25.1% |
| Industrial and mixed-use | **18.9%** | 22.5% |
| | **100.0%** | 100.0% |

Net operating income increased in all operating segments during the first quarter of 2015 compared to the same period of 2014.

### BY GEOGRAPHIC MARKET

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Geographic market | | | |
| Québec | **26,813** | 19,048 | 40.8 |
| Montréal | **61,881** | 48,972 | 26.4 |
| Ontario(1) | **20,544** | 11,057 | 85.8 |
| Atlantic Provinces | **5,284** | 5,567 | (5.1) |
| Western Canada | **5,730** | 7,349 | (22.0) |
| **Total net operating income – Cominar’s proportionate share** | **120,252** | 91,993 | 30.7 |

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

| For the quarters ended March 31 | 2015 | 2014 |
|---|---|---|
| Geographic market | | |
| Québec | **22.3%** | 20.7% |
| Montréal | **51.4%** | 53.2% |
| Ontario(1) | **17.1%** | 12.0% |
| Atlantic Provinces | **4.4%** | 6.1% |
| Western Canada | **4.8%** | 8.0% |
| | **100.0%** | 100.0% |

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

Net operating income for Western Canada decreased during the first quarter of 2015 compared to the same period of 2014 due to the departure of two important clients on June 30, 2014, which have since been replaced by a new client that will take possession of its premises on September 1, 2015.

## FINANCE CHARGES

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Interest on mortgages payable | **23,410** | 22,836 | 2.5 |
| Interest on debentures | **18,942** | 11,552 | 64.0 |
| Interest on convertible debentures | **2,861** | 2,861 | — |
| Interest on bank borrowings | **2,550** | 399 | 539.1 |
| Net amortization of premium and discount on debenture issuances | **(193)** | (67) | 188.1 |
| Amortization of deferred financing costs and others | **1,238** | 1,185 | 4.5 |
| Amortization of fair value adjustments on assumed indebtedness | **(2,599)** | (3,026) | (14.1) |
| Less: Capitalized interests(1) | **(1,438)** | (1,947) | (26.1) |
| **Total finance charges – Cominar's proportionate share** | **44,771** | 33,793 | 32.5 |
| Percentage of operating revenues | **19.3%** | 19.2% | |
| Weighted average interest rate on total debt(2) | **4.27%** | 4.75% | |

*(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.*
*(2) At the end of the period.*

The increase in finance charges was mostly due to increased financing related to the acquisition of income properties completed in 2014. The weighted average interest rate on total debt decreased by 48 basis points since March 31, 2014.

## TRUST ADMINISTRATIVE EXPENSES

Trust administrative expenses stood at $4.2 million for the first quarter of 2015, accounting for 1.8% of operating revenues, compared to 1.7% for the same quarter of 2014.

## NET INCOME

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Net income | **71,153** | 55,070 | 29.2 |
| Net income per unit (basic) | **0.43** | 0.43 | — |
| Net income per unit (diluted) | **0.43** | 0.42 | 2.4 |
| Weighted average number of units (basic) | **164,301,125** | 127,140,777 | |
| Weighted average number of units (diluted) | **174,918,767** | 138,041,790 | |

The calculation of diluted net income per unit includes the elimination of interest at the effective rate on the convertible debentures of $3.3 million for the quarter ended March 31, 2015 [$3.3 million in 2014].

# DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of distributable income ("DI") is not an IFRS financial measure, it is used by many investors in the income trust industry. We consider DI an excellent tool for assessing Cominar's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to evaluate the stability of distributions.

We define distributable income as net income determined under IFRS, before fair value adjustments, recognition of leases on a straight-line basis, provision for leasing costs, transaction costs incurred upon a business combination and certain other items not affecting cash, if applicable.

The following table presents the calculation of distributable income as well as its reconciliation to net income calculated in accordance with IFRS:

## DISTRIBUTABLE INCOME

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| **Net income** | **71,153** | 55,070 | 29.2 |
| - Net amortization of premium and discount on debenture issuances | **(193)** | (67) | 188.1 |
| + Amortization of deferred financing costs | **1,182** | 1,133 | 4.3 |
| - Amortization of fair value adjustments of assumed indebtedness | **(2,599)** | (3,026) | (14.1) |
| + Amortization of fair value adjustments of bond investments | **18** | 19 | (5.3) |
| + Compensation expense related to long-term incentive plan | **469** | 403 | 16.4 |
| + Accretion of the liability component of convertible debentures | **56** | 52 | 7.7 |
| + Deferred taxes | **101** | 155 | (34.8) |
| - Provision for leasing costs | **(5,800)** | (4,400) | 31.8 |
| + Initial and re-leasing salary costs | **729** | 475 | 53.5 |
| - Recognition of leases on a straight-line basis | **(1,419)** | (805) | 76.3 |
| **Recurring distributable income** | **63,697** | 49,009 | 30.0 |
| DISTRIBUTIONS TO UNITHOLDERS | **62,369** | 46,277 | 34.8 |
| Distributions reinvested under the distribution reinvestment plan(1) | **19,859** | 13,504 | 47.1 |
| Cash distributions | **42,510** | 32,773 | 29.7 |
| Percentage of distributions reinvested | **31.8%** | 29.2% | |
| **Per unit information:** | | | |
| Recurring distributable income (basic) | **0.39** | 0.39 | — |
| Weighted average number of units outstanding for the recurring distributable income (basic) | **164,301,125** | 127,140,777 | |
| DISTRIBUTIONS PER UNIT | **0.368** | 0.360 | 2.2 |
| Payout ratio(2) | **94.4%** | 92.3% | |
| Cash payout ratio(3) | **64.4%** | 65.4% | |

*(1) This amount includes units to be issued under the plan upon payment of distributions.*
*(2) The payout ratio corresponds to the distribution per unit, divided by the basic recurring DI per unit.*
*(3) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring DI per unit.*

Recurring DI for the quarter ended March 31, 2015 amounted to $63.7 million, up 30.0% from the comparable period of 2014. This increase was primarily due to the contribution of the acquisitions completed in 2014. On a basic per unit basis, it totalled $0.39, as in 2014.

Distributions to unitholders for the first quarter of 2015 totalled $62.4 million, up 34.8% from the comparable period of 2014.

The recurring DI payout ratio for the quarter ended March 31, 2015 was 94.4%. During the first quarter of 2015, 31.8% of distributions were reinvested as units under the distribution reinvestment plan [29.2% in 2014]. The recurring DI cash payout ratio per unit (basic) stood at 64.4%, a favourable decrease of 1.0% compared to the same period of 2014.

## TRACK RECORD OF RECURRING DI PER UNIT

| For the quarters ended March 31 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Recurring distributable income per unit (basic) | **0.39** | 0.39 | 0.38 | 0.39 | 0.36 |

The Canadian Securities Administrators ("CSA") requires Cominar to reconcile cash flows provided by operating activities as shown in the condensed interim consolidated financial statements to distributable income and adjusted funds from operations (non-IFRS measures) presented in this interim management's discussion & analysis.

The following table presents this reconciliation:

| For the quarters ended March 31 | 2015 | 2014 |
|---|---|---|
| **Cash flows provided by operating activities as shown in the condensed interim consolidated financial statements** | **30,201** | 44,216 |
| + Adjustments - investments in joint ventures | **322** | 394 |
| - Amortization of other assets | **(238)** | (193) |
| - Provision for leasing costs | **(5,800)** | (4,400) |
| + Initial and re-leasing salary costs | **729** | 475 |
| + Change in non-cash working capital items | **38,483** | 8,517 |
| **Recurring distributable income** | **63,697** | 49,009 |
| - Capital expenditures – maintenance of rental income generating capacity | **(1,181)** | (690) |
| **Recurring adjusted funds from operations** | **62,516** | 48,319 |

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 quarters ended March 31 | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Net income** | **71,153** | 55,070 | 59,697 |
| Cash flows provided by operating activities as shown in the condensed interim consolidated financial statements | **30,201** | 44,216 | 33,852 |
| Distributions to unitholders | **62,369** | 46,277 | 45,155 |
| Cash distributions | **42,510** | 32,773 | 36,047 |
| Excess (deficit) of cash flows from operating activities over cash distributions to unitholders | **(12,309)** | 11,443 | (2,195) |
| Adjustments: | | | |
| + Restructuring charges | **—** | — | 254 |
| - Unusual item – other revenues | **—** | — | (4,906) |
| + Unusual item – Holman Grand Hotel | **—** | — | 290 |
| Excess (deficit) of adjusted cash flows from operating activities over cash distributions to unitholders | **(12,309)** | 11,443 | (6,557) |

For the quarter ended March 31, 2015, cash flows from operating activities were insufficient to fund cash distributions to unitholders, mainly due to the seasonal nature of certain disbursements, such as realty taxes. Annually, cash flows from operations have always been sufficient to finance cash distributions to unitholders.

# FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not an IFRS financial measure, it is widely used in the real estate investment trust industry. REALpac defines this measure as net income (calculated in accordance with IFRS), adjusted for, among other things, change in fair value of investment properties, deferred taxes and transaction costs incurred upon a business combination.

FFO should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar's performance. While our method of calculating FFO complies with REALpac recommendations, it may differ from methods applied by other entities. Therefore, it may not be useful for comparisons with other entities.

The fully diluted weighted average number of units outstanding for the calculation of FFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

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

**FUNDS FROM OPERATIONS**

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| **Net income** | **71,153** | 55,070 | 29.2 |
| + Deferred income taxes | **101** | 155 | (34.8) |
| + Initial and re-leasing salary costs | **729** | 475 | 53.5 |
| **Recurring funds from operations** | **71,983** | 55,700 | 29.2 |
| **Per unit information:** | | | |
| Funds from operations (basic) | **0.44** | 0.44 | — |
| Recurring funds from operations (basic) | **0.44** | 0.44 | — |
| Recurring funds from operations (FD)(1)(2) | **0.44** | 0.44 | — |
| Weighted average number of units outstanding for recurring funds from operations (basic) | **164,301,125** | 127,140,777 | |
| Weighted average number of units outstanding for recurring funds from operations (FD)(1) | **172,994,360** | 135,581,889 | |
| Payout ratio(3) | **83.6%** | 81.8% | |
| Cash payout ratio(4) | **57.0%** | 58.0% | |

*(1) Fully diluted.*
*(2) The calculation of fully diluted recurring funds from operations per unit includes the elimination of interest at the effective rate on the dilutive convertible debentures of $3.3 million for the quarter ended March 31, 2015 [$3.3 million in 2014].*
*(3) The payout ratio corresponds to the distribution per unit, divided by basic recurring FFO per unit.*
*(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring FFO per unit.*

For the first quarter of 2015, recurring FFO rose 29.2% from the comparable period of 2014, due mainly to the acquisitions completed in 2014. Recurring FFO per unit on a fully diluted basis stood at $0.44 for the quarter ended March 31, 2015, unchanged from the same quarter of 2014.

**TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT**

| For the quarters ended March 31 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Recurring funds from operations per unit (basic) | **0.44** | 0.44 | 0.44 | 0.47 | 0.41 |
| Recurring funds from operations per unit (FD)(1) | **0.44** | 0.44 | 0.44 | 0.45 | 0.40 |

*(1) Fully diluted.*

# ADJUSTED FUNDS FROM OPERATIONS

The concept of adjusted funds from operations ("AFFO") is a key financial measure in the real estate investment trust industry. Cominar defines this measure as FFO adjusted for certain non-cash items such as the amortization of deferred financing costs, the amortization of fair value adjustments on assumed indebtedness, the compensation expense related to the long-term incentive plan, recognition of leases on a straight-line basis and fair value adjustments of investments, net of investments required to maintain Cominar's ability to generate rental income from its property portfolio. AFFO is an additional indicator used to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not an IFRS measure and should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar's performance. Cominar's method of calculating AFFO may differ from the methods used by other entities, and therefore may not be appropriate for comparative analysis purposes.

In calculating AFFO, Cominar deducts a provision for leasing costs incurred on an ongoing basis in order to maintain its capacity to generate rental income. These leasing costs include, among other things, leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties in accordance with IFRS. Cominar also deducts capital expenditures incurred under its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include non-recoverable major expenditures for maintenance and repairs, are typically incurred unevenly during a fiscal year. Therefore, AFFO could vary from quarter to quarter, and such variances could be material.

The fully diluted weighted average number of units outstanding for the calculation of AFFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

The following table presents a reconciliation of FFO and AFFO:

**ADJUSTED FUNDS FROM OPERATIONS**

| For the quarters ended March 31 | 2015 | 2014 | % Δ |
|---|---|---|---|
| Funds from operations | **71,983** | 55,700 | 29.2 |
| - Net amortization of premium and discount on debenture issuances | **(193)** | (67) | 188.1 |
| + Amortization of deferred financing costs | **1,182** | 1,133 | 4.3 |
| + Amortization of fair value adjustment of bond investments | **18** | 19 | (5.3) |
| - Amortization of fair value adjustments of assumed indebtedness | **(2,599)** | (3,026) | (14.1) |
| + Compensation expense related to long-term incentive plan | **469** | 403 | 16.4 |
| - Capital expenditures – maintenance of rental income generating capacity | **(1,181)** | (690) | 71.2 |
| + Accretion of the liability component of convertible debentures | **56** | 52 | 7.7 |
| - Provision for leasing costs | **(5,800)** | (4,400) | 31.8 |
| - Recognition of leases on a straight-line basis | **(1,419)** | (805) | 76.3 |
| **Recurring adjusted funds from operations** | **62,516** | 48,319 | 29.4 |
| **Per unit information:** | | | |
| Adjusted funds from operations (basic) | **0.38** | 0.38 | — |
| Recurring adjusted funds from operations (basic) | **0.38** | 0.38 | — |
| Recurring adjusted funds from operations (FD)(1)(2) | **0.38** | 0.38 | — |
| Weighted average number of units outstanding for recurring adjusted funds from operations (basic) | **164,301,125** | 127,140,777 | |
| Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(1) | **172,994,360** | 135,581,889 | |
| Payout ratio(3) | **96.8%** | 94.7% | |
| Cash payout ratio(4) | **66.1%** | 67.1% | |

*(1) Fully diluted.*
*(2) The calculation of fully diluted recurring adjusted funds from operations per unit includes the elimination of interest on the dilutive convertible debentures of $3.0 million for the quarter ended March 31, 2015 [$3.3 million in 2014].*
*(3) The payout ratio corresponds to the distribution per unit, divided by basic recurring AFFO per unit.*
*(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.*

Recurring AFFO amounted to $62.5 million for the first quarter of 2015, up 29.4% from the comparable period of 2014, mainly as a result of the acquisitions completed in 2014.

Fully diluted recurring AFFO per unit totalled $0.38 for the quarter ended March 31, 2015, unchanged from the same period of 2014.

**TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT**

| For the quarters ended March 31 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Recurring adjusted funds from operations per unit (basic) | **0.38** | 0.38 | 0.38 | 0.38 | 0.35 |
| Recurring adjusted funds from operations per unit (FD)(1) | **0.38** | 0.38 | 0.38 | 0.38 | 0.35 |

*(1) Fully diluted.*

# LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of 2015, Cominar generated $30.2 million in cash flows from operating activities. Cominar foresees no difficulty in meeting its short-term obligations and its commitments with funds from operations, refinancing of mortgages payable, debenture or unit issuances, amounts available on its credit facility and cash and cash equivalents.

On November 27, 2014, Cominar filed a short form base shelf prospectus allowing it to issue up to $1.5 billion in securities during the 25-month period that this prospectus remains valid. Since then, Cominar has issued $200.0 million in senior unsecured debentures in December 2014 as well as $155.3 million in units in January 2015, leaving an available balance of $1.1 billion for future issuances.

## MORTGAGES PAYABLE

As at March 31, 2015, the nominal balance of mortgages payable was $1,925.0 million, down $23.5 million from $1,948.5 million as at December 31, 2014. This decrease is explained by the repayments of balances at maturity for $9.1 million at a weighted average interest rate of 5.26% and by the monthly repayments of capital for $14.4 million. At the end of the quarter, the weighted average interest rate was 4.76%, down 3 basis points from 4.79% as at December 31, 2014. As at March 31, 2015, the effective weighted average interest rate was 4.16%, down 1 basis point from 4.17% as at December 31, 2014.

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at March 31, 2015, the residual weighted average term of mortgages payable was 4.8 years, compared to 5.0 years as at December 31, 2014.

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

**CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE**

| For the years ending December 31 | Repayment of principal | Balances at maturity | Total | Weighted average interest rate[1] |
|---|---|---|---|---|
| 2015 (period from April 1 to December 31) | 40,182 | 263,659 | 303,841 | 4.79% |
| 2016 | 46,619 | 146,409 | 193,028 | 4.49% |
| 2017 | 39,917 | 180,173 | 220,090 | 4.68% |
| 2018 | 31,727 | 409,003 | 440,730 | 5.16% |
| 2019 | 23,734 | 4,255 | 27,989 | 6.20% |
| 2020 and thereafter | 106,978 | 632,329 | 739,307 | 4.56% |
| **Total** | 289,157 | 1,635,828 | 1,924,985 | 4.76% |

*(1) Calculated on balances at maturity of mortgages payable.*

Cominar's management intends to refinance most of the mortgages payable maturing in 2015 and to increase, in general, the loan/value ratio of the properties used as collateral.

## DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures, as well as the balance per series, as at March 31, 2015:

**DEBENTURES**

| | Contractual interest rate | Effective interest rate | Date of issuance | Dates of interest payments | Maturity date | Nominal value as at March 31, 2015 |
|---|---|---|---|---|---|---|
| | | | | | | $ |
| Series 1 | **4.274%** | **4.32%** | **June 2012[(1)]** | **June 15 and December 15** | **June 2017** | **250,000** |
| Series 2 | **4.23%** | **4.37%** | **December 2012[(2)]** | **June 4 and December 4** | **December 2019** | **300,000** |
| Series 3 | **4.00%** | **4.24%** | **May 2013** | **May 2 and November 2** | **November 2020** | **100,000** |
| Series 4 | **4.941%** | **4.81%** | **July 2013[(3)]** | **July 27 and January 27** | **July 2020** | **300,000** |
| Series 5 | **3.35%[(4)]** | **3.52%** | **October 2013** | **January 9, April 9, July 9 and October 9** | **October 2015** | **250,000** |
| Series 6 | **2.071%[(5)]** | **2.22%** | **September 2014** | **September 22, December 22, March 22 and June 22** | **September 2016** | **250,000** |
| Series 7 | **3.62%** | **3.70%** | **September 2014** | **December 21 and June 21** | **June 2019** | **300,000** |
| Series 8 | 4.25% | 4.34% | December 2014 | June 8 and December 8 | December 2021 | 200,000 |
| Weighted average interest rate | **3.85%** | **3.93%** | | | | |
| **Total** | | | | | | **1,950,000** |

*(1) Re-opened in September 2012 ($125.0 million).*
*(2) Re-opened in February 2013 ($100.0 million).*
*(3) Re-opened in January 2014 ($100.0 million) and March 2014 ($100.0 million).*
*(4) Variable interest rate fixed quarterly for the period from January 10, 2015 to April 9, 2015 (corresponding to the three-month CDOR rate plus 205 basis points).The rate for the period from April 10, 2015 to July 9, 2015 was fixed at 3.048%.*
*(5) Variable interest rate fixed quarterly for the period from March 23, 2015 to June 22, 2015 (corresponding to the three-month CDOR rate plus 108 basis points).*

As at March 31, 2015, the residual weighted average term of debentures was 3.8 years.

The following table presents information on Cominar's unencumbered assets and senior unsecured debts:

| | As at March 31, 2015 | | As at December 31, 2014 | |
|---|---|---|---|---|
| | Number of properties | Fair value of properties ($) | Number of properties | Fair value of properties ($) |
| Unencumbered income properties | **290** | **3,725,581** | 286 | 3,692,149 |
| Unencumbered assets ratio[(1)(2)] | | **1.61:1** | | 1.54:1 |
| Senior unsecured debts-to-total-debt ratio[(2)(3)] | | **52.2%** | | 52.8% |

*(1) Fair value of unencumbered income properties divided by the unsecured debt (excluding convertible debentures).*
*(2) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.*
*(3) Senior unsecured debts divided by total debt.*

As at March 31, 2015, Cominar owned unencumbered income properties whose fair value was approximately $3.7 billion. The unencumbered assets ratio stood at 1.61:1 compared to 1.54:1 as at December 31, 2014.

## CONVERTIBLE DEBENTURES

The following table presents the features of Cominar's unsecured subordinated convertible debentures and their balances by series, as at March 31, 2015:

### CONVERTIBLE DEBENTURES

| | Series D | Series E | Weighted average interest rate |
|---|---|---|---|
| Contractual interest rate | **6.50%** | **5.75%** | **6.15%** |
| Effective interest rate | **7.50%** | **6.43%** | **7.00%** |
| Date of issuance | **September 2009** | **January 2010** | |
| Amount issued | **$115,000** | **$86,250** | |
| Unit conversion price | **$20.50** | **$25.00** | |
| Dates of interest payment | **March 31 & September 30** | **June 30 & December 31** | |
| Date of redemption at Cominar's option – conditional(1)(2) | **N/A** | **June 2013** | |
| Date of redemption at Cominar's option – unconditional(2) | **September 2014** | **June 2015** | |
| Maturity date | **September 2016** | **June 2017** | |
| | | | **Total** |
| | **$** | **$** | **$** |
| Nominal value as at March 31, 2015 | **99,786** | **86,250** | **186,036** |

*(1) As of this date of redemption, the debentures may be redeemed by Cominar upon prior notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the units on the Toronto Stock Exchange for a certain period is not less than 125% of the conversion price.*

*(2) Cominar may, at its option, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing units to debenture holders.*

## BANK BORROWINGS

As at March 31, 2015, Cominar had an unsecured revolving operating and acquisition credit facility of up to $550.0 million which will mature in August 2017. This facility bears interest at prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points. As at March 31, 2015, bank borrowings totalled $372.1 million, compared to $457.3 million as at December 31, 2014.

## DEBT SUMMARY

The following table presents a comparative debt summary:

| | As at March 31, 2015 | | | As at December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | $ | Weighted average interest rate | Residual weighted average term | $ | Weighted average interest rate | Residual weighted average term |
| Mortgages payable | **1,942,992** | **4.76%** | **4.8 years** | 1,968,919 | 4.79% | 5.0 years |
| Debentures | **1,945,944** | **3.85%** | **3.8 years** | 1,945,627 | 3.89% | 4.0 years |
| Convertible debentures | **183,425** | **6.15%** | **1.9 year** | 183,081 | 6.15% | 2.1 years |
| Bank borrowings | **372,086** | **2.93%** | **2.3 years** | 457,323 | 3.13% | 2.6 years |
| Total debt | **4,444,447** | **4.27%** | **4.0 years** | 4,554,950 | 4.29% | 4.2 years |

During the first quarter of 2015, the weighted average interest rate on Cominar's total debt decreased by 2 basis points from 4.29% as at December 31, 2014 to 4.27% as at March 31, 2015.

## DEBT RATIO

The following table presents debt ratios as at March 31, 2015 and 2014, as well as at December 31, 2014:

**DEBT RATIO**

| As at | March 31, 2015 | December 31, 2014 | March 31, 2014 |
|---|---|---|---|
| Cash and cash equivalents | **(4,401)** | (5,909) | (7,260) |
| Mortgages payable | **1,942,992** | 1,968,919 | 1,868,277 |
| Debentures | **1,945,944** | 1,945,627 | 1,197,858 |
| Convertible debentures | **183,425** | 183,081 | 182,088 |
| Bank borrowings | **372,086** | 457,323 | 41,477 |
| Total debt | **4,440,046** | 4,549,041 | 3,282,440 |
| Total assets less cash and cash equivalents | **8,187,465** | 8,103,510 | 6,271,706 |
| **Overall debt ratio**(1)(2) | **54.2%** | 56.1% | 52.3% |
| **Debt ratio (excluding convertible debentures)**(2) | **52.0%** | 53.9% | 49.4% |

*(1) Total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible 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 March 31, 2015, the debt ratio (excluding convertible debentures) was 52.0%, compared to 53.9% as at December 31, 2014.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, Cominar generally aims to maintain a debt ratio of approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 60% (65% if convertible debentures are outstanding).

## 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 March 31, 2015, Cominar's annualized interest coverage ratio stood at 2.65:1 [2.67:1 as at December 31, 2014], evidence of its capacity to meet its interest payment obligations.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

Cominar has no off-balance sheet arrangements that have or are likely to have a significant impact on its operating results 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.

# PROPERTY PORTFOLIO

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

| | March 31, 2015 | December 31, 2014 | % Δ |
|---|---|---|---|
| Income properties | **7,817,948** | 7,784,542 | 0.4 |
| Properties under development and land held for future development | **154,470** | 130,757 | 18.1 |
| Number of income properties | **563** | 563 | — |
| Leasable area (sq. ft.) | **45,252,000** | 45,252,000 | — |

### SUMMARY BY OPERATING SEGMENT

| | March 31, 2015 | |
|---|---|---|
| | Number of properties | Leasable area (sq. ft.) |
| Office | **136** | **14,994,000** |
| Retail | **196** | **12,845,000** |
| Industrial and mixed-use | **231** | **17,413,000** |
| **Total** | **563** | **45,252,000** |

### SUMMARY BY GEOGRAPHIC MARKET

| | March 31, 2015 | |
|---|---|---|
| | Number of properties | Leasable area (sq. ft.) |
| Québec | **133** | **10,202,000** |
| Montréal | **301** | **25,468,000** |
| Ontario(1) | **55** | **5,766,000** |
| Atlantic Provinces | **60** | **2,709,000** |
| Western Canada | **14** | **1,107,000** |
| **Total** | **563** | **45,252,000** |

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

# ACQUISITIONS AND INVESTMENTS

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.

During the quarter ended March 31, 2015, no acquisitions of income properties were made by Cominar.

## 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 the first quarter of 2015, Cominar incurred $23.2 million [$19.3 million in 2014] in capital expenditures particularly to increase the rental income generating capacity of its properties or to reduce the related operating expenses. During the quarter, Cominar also incurred $1.2 million [$0.7 million in 2014] in capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, 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 the first quarter of 2015, Cominar made investments of $7.6 million in this respect [$8.9 million in 2014].

### PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

As part of the acquisition of the investment property portfolio from Ivanhoé Cambridge in 2014 for an amount of $1.63 billion, Cominar acquired an office property under development with a leasable area of 118,000 square feet located in Laval as part of the Centropolis complex, for total estimated cost of $28.2 million, including leasing cost and leasehold improvements. Occupancy of this property began at the end of 2014 and will be continued during 2015. The capitalization rate of this property is estimated at 7.1%.

Cominar, at 50%, and Groupe Dallaire Inc., are in joint venture for the purpose of commercial land development located on Highway 40, one of the main arteries of Québec. It is foreseen that this project will consist primarily of commercial space, the first phase being a six-floor office building of approximately 76,000 square feet. The capitalization rate of this property is estimated at 8.5%. Moreover, Cominar, at 75%, and Groupe Dallaire Inc., are in joint venture for the purpose of commercial land development located on this same artery.

### INVESTMENT IN A MORTGAGE RECEIVABLE

During fiscal 2014, Cominar entered into a loan agreement with a related party, a company indirectly owned by the Dallaire family, regarding the realization of a future real estate development project on Laurier Boulevard, in Québec. The underlying land is subject to a mortgage guarantee in favour of Cominar. As at March 31, 2015, the mortgage receivable of $8.3 million bears interest at bankers' acceptance rate plus 250 basis points, payable monthly. The timeline, construction plans and the terms of Cominar's interest in this project are to be finalized, when the non-permitted components for a real estate investment trust will be excluded. Once that is done, Cominar can choose to participate in the construction of the project. The joint agreement provides Cominar with the opportunity to contribute to the realization of this large-scale project, in Québec, while reducing the risk associated with the development of such project.

## REAL ESTATE OPERATIONS

### OCCUPANCY RATE

As at March 31, 2015, the average occupancy rate of our properties was 93.7%, compared to 94.4% as at December 31, 2014.

**OCCUPANCY RATE TRACK RECORD**

| | March 31, 2015 | December 31, 2014 | December 31, 2013 | December 31, 2012 | December 31, 2011 |
|---|---|---|---|---|---|
| Operating segment (%) | | | | | |
| Office | **92.5** | 93.5 | 93.3 | 94.3 | 95.2 |
| Retail | **93.7** | 94.7 | 94.2 | 94.6 | 96.9 |
| Industrial and mixed-use | **94.8** | 94.9 | 92.4 | 93.1 | 91.8 |
| **Portfolio total** | **93.7** | 94.4 | 93.1 | 93.9 | 93.6 |

## LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2015:

### LEASING ACTIVITY

| | Office | Retail | Industrial and mixed-use | Total |
|---|---|---|---|---|
| **Leases maturing for the year 2015** | | | | |
| Number of clients | 442 | 516 | 342 | 1,300 |
| Leasable area (sq. ft.) | 2,601,000 | 1,346,000 | 3,476,000 | 7,423,000 |
| Average net rent ($/sq. ft.) | 12.92 | 17.22 | 5.72 | 10.33 |
| **Renewed leases for the quarter** | | | | |
| Number of clients | 155 | 147 | 88 | 390 |
| Leasable area (sq. ft.) | 1,120,000 | 562,000 | 1,389,000 | 3,071,000 |
| Average net rent of leases maturing ($/sq. ft.) | 12.59 | 16.14 | 5.25 | 9.90 |
| Average net rent of renewed leases ($/sq. ft.) | 12.43 | 16.11 | 5.37 | 9.91 |
| Growth in average net rent (%) | (1.3) | (0.2) | 2.2 | 0.1 |
| **Retention rate (%)** | **43.1** | **41.8** | **40.0** | **41.4** |
| **New leases for the quarter** | | | | |
| Number of clients | 66 | 30 | 59 | 155 |
| Leasable area (sq. ft.) | 419,000 | 89,000 | 721,000 | 1,229,000 |
| Average net rent ($/sq. ft.) | 18.36 | 9.65 | 5.46 | 10.16 |

In 2015, 16.4% of leasable area expired or will expire. 41.4% of these leases were renewed during the first quarter of 2015 and new leases were also signed, representing 1.2 million square feet of leasable area.

The following table shows the average net rent growth of renewed leases:

### GROWTH IN AVERAGE NET RENT OF RENEWED LEASES

| | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 |
|---|---|---|
| | % | % |
| **Operating segment** | | |
| Office | **(1.3)** | 1.3 |
| Retail | **(0.2)** | 3.6 |
| Industrial and mixed-use | **2.2** | 4.2 |
| **Portfolio total** | **0.1** | 2.4 |

Average net rent of renewed leases rose in our industrial and mixed use segment. The decrease in average net rent of renewed leases in the office segment comes mainly from the Ottawa region.

Despite the turbulence in the retail segment, our leasing teams are working hard on renewing our leases maturing in the coming quarters at the best possible average net rent.

The following table presents lease maturities over the next five years:

**LEASE MATURITIES**

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Office** | | | | | |
| Leasable area (sq. ft.) | 2,334,000 | 1,794,000 | 1,959,000 | 1,512,000 | 786,000 |
| Average net rent ($/sq. ft.) | 14.08 | 14.10 | 13.54 | 13.02 | 14.69 |
| % of portfolio – Office | 15.6 | 12.0 | 13.1 | 10.1 | 5.2 |
| **Retail** | | | | | |
| Leasable area (sq. ft.) | 1,356,000 | 1,698,000 | 2,162,000 | 1,500,000 | 1,348,000 |
| Average net rent ($/sq. ft.) | 17.90 | 15.06 | 12.99 | 15.80 | 18.55 |
| % of portfolio – Retail | 10.6 | 13.2 | 16.8 | 11.7 | 10.5 |
| **Industrial and mixed-use** | | | | | |
| Leasable area (sq. ft.) | 2,529,000 | 2,437,000 | 2,347,000 | 1,076,000 | 1,520,000 |
| Average net rent ($/sq. ft.) | 5.71 | 6.74 | 6.37 | 6.88 | 5.57 |
| % of portfolio – Industrial and mixed-use | 14.5 | 14.0 | 13.5 | 6.2 | 8.7 |
| **Portfolio total** | | | | | |
| Leasable area (sq. ft.) | 6,219,000 | 5,929,000 | 6,468,000 | 4,088,000 | 3,654,000 |
| Average net rent ($/sq. ft.) | 11.51 | 11.35 | 10.76 | 12.42 | 12.32 |
| % of portfolio | 13.7 | 13.1 | 14.3 | 9.0 | 8.1 |

The following table summarizes information on leases as at March 31, 2015:

| | Average remaining lease term | Average leased area per client | Average net rent/ sq. ft. |
|---|---|---|---|
| | years | sq. ft. | $ |
| Office | 4.2 | 7,000 | 13.91 |
| Retail | 3.9 | 4,100 | 15.45 |
| Industrial and mixed-use | 4.5 | 13,300 | 6.07 |
| **Portfolio average** | **4.3** | **7,000** | **11.36** |

Cominar has a broad, highly diversified retail client base consisting of about 6,000 clients occupying an average of approximately 7,000 square feet each. Our top three clients, Public Works Canada, Canadian National Railway Company and *Société québécoise des infrastructures,* account for approximately 4.8%, 3.3% and 3.2% of our net operating income, respectively, arising from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 9.7% come from government agencies representing approximately 103 leases.

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

| Client | % of net operating income |
|---|---|
| Public Works Canada | 4.8 |
| Canadian National Railway Company | 3.3 |
| Société québécoise des infrastructures | 3.2 |
| Jean Coutu Group | 1.3 |
| Ericsson Canada | 1.3 |
| Scotiabank | 1.0 |
| Target Canada | 0.9 |
| Shoppers Drug Mart | 0.7 |
| Cinram Canada | 0.7 |
| Co-op Atlantic | 0.7 |
| **Total** | **17.9** |

# ISSUED AND OUTSTANDING UNITS

On January 30, 2015, Cominar closed a public offering of 7,901,650 units including the full exercise of the over-allotment option at a price of $19.65 per unit. Total net proceeds received by Cominar amounted to $148.7 million, after deducting the underwriters' fee and costs related to the offering. Net proceeds from this offering was used to repay the unsecured revolving credit facility.

| | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 |
|---|---|---|
| Units issued and outstanding, beginning of period | **158,689,195** | 127,051,095 |
| + Public offering | **7,901,650** | 15,131,700 |
| + Private placement | — | 13,158,000 |
| + Exercise of options | **250,900** | 92,000 |
| + Distribution reinvestment plan | **683,650** | 3,247,589 |
| + Conversion of deferred units | — | 8,811 |
| **Units issued and outstanding, end of period** | **167,525,395** | 158,689,195 |

| Additional information | May 5, 2015 |
|---|---|
| Issued and outstanding units | 167,876,956 |
| Outstanding unit options | 8,586,650 |
| Potential units – conversion of convertible debentures | 10,135,992 |
| Deferred units and restricted units | 170,111 |

# RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During the first quarter of 2015, Cominar recorded $101 thousand in net rental income from Dalcon Inc. and Dallaire Group Inc. Cominar also incurred costs of $2.8 million for leasehold improvements performed by Dalcon Inc. on its behalf and costs of $14.0 million for the construction and development of investment properties.

Cominar recorded $101 thousand in interest income from Dallaire Group Inc. during the first quarter of 2015.

Cominar owns participations of 50% and of 75% in joint ventures with Groupe Dallaire Inc. for a total net investment by Cominar of $59.2 million. The business objective of these three joint ventures is the ownership, management and development of its real estate projects.

These transactions were entered into in the normal course of business and were measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

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

The President and 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 interim MD&A and the condensed interim 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 quarter ended March 31, 2015, 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 quarter ended March 31, 2015, and, more specifically, that the financial reporting is reliable and that the condensed interim 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 the first quarter of 2015 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

## SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our interim MD&A is based upon Cominar's condensed interim consolidated financial statements, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements and are the same as those used in the preparation of the audited annual financial statements as at December 31, 2014. The preparation and presentation of the condensed interim consolidated financial statements and any other financial information contained in this interim MD&A includes the proper selection and application of appropriate accounting principles and policies, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments to establish the carrying amount of assets and liabilities. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

**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 or valuations from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as 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 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.

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.

**Leasing costs**

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are not amortized.

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

All these costs are added to the carrying amount of investment properties as they are incurred.

**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, mortgage receivable and accounts receivable, including loans to certain clients, 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, convertible 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 arrangements.

**Deferred financing costs**

Issue costs incurred to obtain term loan financing, typically through mortgages payable, debentures and convertible 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, 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 on the date of the grant. The fair value of restricted units is represented by 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 on the date of the grant. The fair value of restricted units is represented by 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 as 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 current or recovered taxes 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 per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential issuance of units in accordance with the long term incentive plan and the potential issuance of units under convertible debentures, 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 15, "Revenue from Contracts with Customers"**

In May 2014, the International Accounting Standards Board ("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. This standard will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application 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, 2017, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

**IFRS 9, "Financial Instruments"**

In July 2014, the IASB published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement." 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. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

# 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. The risks and uncertainties identified by Cominar are:

- Access to capital and debt financing, and current global financial conditions
- Debt financing
- Ownership of immovable property
- Environmental matters
- Legal risks
- Competition
- Acquisitions
- Property development program
- Recruitment and retention of employees and executives
- Limit on activities
- General uninsured losses
- Risk factors related to the ownership of securities and debt securities
- Status for tax purposes

Therefore, unitholders should consider these risks and uncertainties when assessing the Trust's outlook in terms of investment potential. To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is invited to refer to our 2014 Annual Report, as well as our 2014 Annual Information Form.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
March 31, 2015

Unaudited

# CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

| | Note | March 31, 2015 | December 31, 2014 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| Investment properties | | | |
| Income properties | 3 | **7,731,182** | 7,697,823 |
| Properties under development | 4 | **55,703** | 53,150 |
| Land held for future development | 4 | **69,661** | 68,788 |
| | | **7,856,546** | 7,819,761 |
| Investments in joint ventures | 5 | **59,209** | 41,633 |
| Goodwill | | **166,971** | 166,971 |
| Mortgage receivable | | **8,250** | 8,250 |
| Accounts receivable | | **53,557** | 52,044 |
| Prepaid expenses and other assets | | **42,932** | 14,851 |
| Cash and cash equivalents | | **4,401** | 5,909 |
| **Total assets** | | **8,191,866** | 8,109,419 |
| **LIABILITIES** | | | |
| Mortgages payable | 6 | **1,942,992** | 1,968,919 |
| Debentures | | **1,945,944** | 1,945,627 |
| Convertible debentures | | **183,425** | 183,081 |
| Bank borrowings | | **372,086** | 457,323 |
| Accounts payable and accrued liabilities | | **129,996** | 133,728 |
| Deferred tax liabilities | | **10,411** | 10,310 |
| Distributions payable to unitholders | | **20,834** | — |
| **Total liabilities** | | **4,605,688** | 4,698,988 |
| **UNITHOLDERS' EQUITY** | | | |
| Unitholders' equity | | **3,586,178** | 3,410,431 |
| **Total liabilities and unitholders' equity** | | **8,191,866** | 8,109,419 |

See accompanying notes to the condensed interim consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

**For the quarters ended March 31**
[unaudited, in thousands of Canadian dollars]

| | Note | Unitholders' contributions | Cumulative net income | Cumulative distributions | Contributed surplus | Equity component of convertible debentures | Total |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| Balance as at January 1, 2015 | | 2,839,515 | 1,733,684 | (1,169,938) | 5,746 | 1,424 | 3,410,431 |
| Net income and comprehensive income | | — | 71,153 | — | — | — | 71,153 |
| Distributions to unitholders | | — | — | (62,369) | — | — | (62,369) |
| Unit issuances | 8 | 173,015 | — | — | — | — | 173,015 |
| Unit issuance expenses | 8 | (6,548) | — | — | — | — | (6,548) |
| Long-term incentive plan | | — | 130 | — | 366 | — | 496 |
| Balance as at March 31, 2015 | | 3,005,982 | 1,804,967 | (1,232,307) | 6,112 | 1,424 | 3,586,178 |

| | Note | Unitholders' contributions | Cumulative net income | Cumulative distributions | Contributed surplus | Equity component of convertible debentures | Total |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| Balance as at January 1, 2014 | | 2,251,974 | 1,533,573 | (966,563) | 4,972 | 1,424 | 2,825,380 |
| Net income and comprehensive income | | — | 55,070 | — | — | — | 55,070 |
| Distributions to unitholders | | — | — | (46,277) | — | — | (46,277) |
| Unit issuances | 8 | 9,429 | — | — | — | — | 9,429 |
| Unit issuance expenses | 8 | (91) | — | — | — | — | (91) |
| Long-term incentive plan | | — | — | — | 545 | — | 545 |
| Balance as at March 31, 2014 | | 2,261,312 | 1,588,643 | (1,012,840) | 5,517 | 1,424 | 2,844,056 |

See accompanying notes to the condensed interim consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**For the quarters ended March 31**
[unaudited, in thousands of Canadian dollars, except per unit amounts]

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| **Operating revenues** | | | |
| Rental revenue from investment properties | | **229,411** | 173,671 |
| **Operating expenses** | | | |
| Operating costs | | **52,783** | 39,636 |
| Realty taxes and services | | **53,434** | 39,934 |
| Property management expenses | | **4,128** | 3,323 |
| | | **110,345** | 82,893 |
| **Net operating income** | | **119,066** | 90,778 |
| Finance charges | | **(44,142)** | (33,236) |
| Trust administrative expenses | | **(4,227)** | (2,975) |
| Share of net income from investment in joint ventures | 5 | **557** | 658 |
| **Income before income taxes** | | **71,254** | 55,225 |
| **Income taxes** | | **(101)** | (155) |
| **Net income and comprehensive income** | | **71,153** | 55,070 |
| **Basic net income per unit** | 9 | **0,43** | 0.43 |
| **Diluted net income per unit** | 9 | **0,43** | 0.42 |

See accompanying notes to the condensed interim consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

**For the quarters ended March 31**
[unaudited, in thousands of Canadian dollars]

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| OPERATING ACTIVITIES | | | |
| Net income | | **71,153** | 55,070 |
| Adjustments for: | | | |
| Excess of share of net income over distributions received from the investment in joint ventures | 5 | **(357)** | (458) |
| Amortization | | **(1,301)** | (1,696) |
| Compensation expense related to long-term incentive plan | | **469** | 403 |
| Deferred income taxes | | **101** | 155 |
| Recognition of leases on a straight-line basis | 3 | **(1,381)** | (741) |
| Changes in non-cash working capital items | 10 | **(38,483)** | (8,517) |
| **Cash flows provided by operating activities** | | **30,201** | 44,216 |
| INVESTING ACTIVITIES | | | |
| Acquisitions of and investments in income properties | 3 | **(27,132)** | (188,457) |
| Acquisitions of and investments in properties under development and land held for future development | 4 | **(3,422)** | (21,926) |
| Return of capital from a joint venture | 5 | **1,231** | 53,116 |
| Net proceeds from disposal of a portion of the investment in a joint venture | 5 | **—** | 20,150 |
| Contribution to the capital of a joint venture – cash | 5 | **(18,450)** | — |
| Change in other assets | | **(60)** | 670 |
| **Cash flows used in investing activities** | | **(47,833)** | (136,447) |
| FINANCING ACTIVITIES | | | |
| Distributions to unitholders | | **(28,239)** | (21,610) |
| Bank borrowings | | **(85,237)** | (64,220) |
| Financing costs of mortgages payable | | **(12)** | (159) |
| Net proceeds from issuance of debentures | | **(33)** | 202,684 |
| Net proceeds from issuance of units | 8 | **153,122** | (24) |
| Repayments of balances at maturity of mortgages payable | 6 | **(9,142)** | (14,261) |
| Monthly repayments of mortgages payable | 6 | **(14,335)** | (12,661) |
| **Cash flows provided by financing activities** | | **16,124** | 89,749 |
| Net change in cash and cash equivalents | | **(1,508)** | (2,482) |
| Cash and cash equivalents, beginning of period | | **5,909** | 9,742 |
| Cash and cash equivalents, end of period | | **4,401** | 7,260 |
| **Other information** | | | |
| Interest paid | | **41,597** | 29,959 |
| Distributions received from joint ventures | 5 | **200** | 200 |

See accompanying notes to the condensed interim consolidated financial statements.

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the quarters ended March 31, 2015 and 2014**
[unaudited, 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 March 31, 2015, Cominar owned and managed a real estate portfolio of 563 high-quality properties that covered a total area of 45.3 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.

The Board of Trustees approved Cominar’s condensed interim consolidated financial statements on May 5, 2015.

## 2) SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**
Cominar’s unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, and comply notably with the requirements of IAS 34, "Interim Financial Reporting." They do not include all the disclosures that will normally be found in the Trust’s annual consolidated financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with Cominar’s IFRS annual consolidated financial statements for the fiscal year ended December 31, 2014.

# 3) INCOME PROPERTIES

| | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | **7 697 823** | 5,654,825 |
| Business combination | **—** | 1,595,115 |
| Acquisitions and related costs | **—** | 386,387 |
| Fair value adjustment(1) | **—** | (33,951) |
| Capital costs | **30 079** | 123,456 |
| Disposals | **—** | (2,000) |
| Transfer of an income property as contribution to a joint venture | **—** | (97,850) |
| Transfer from properties under development | **—** | 58,353 |
| Change in initial direct costs | **1 899** | 9,862 |
| Recognition of leases on a straight-line basis | **1 381** | 3,626 |
| Balance, end of period | **7 731 182** | 7,697,823 |

*(1) The total fair value adjustment was related to income properties held as at the year-end date.*

# 4) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

| | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | **121,938** | 107,961 |
| Business combination | **—** | 36,200 |
| Acquisitions and related costs | **—** | 2,157 |
| Capital costs | **2,100** | 28,248 |
| Capitalized interest | **1,326** | 5,725 |
| Transfer to income properties | **—** | (58,353) |
| Balance, end of period | **125,364** | 121,938 |
| Breakdown: | | |
| Properties under development | **55,703** | 53,150 |
| Land held for future development | **69,661** | 68,788 |

# 5) JOINT ARRANGEMENTS

## JOINT VENTURES

The following table summarizes the information on the joint ventures:

| Joint venture | Address | City/province | Ownership interest | |
|---|---|---|---|---|
| | | | As at March 31, 2015 | As at March 31, 2014 |
| Société en commandite Complexe Jules-Dallaire | 2820 Laurier Boulevard | Québec, Quebec | **50%** | 50% |
| Société en commandite Bouvier-Bertrand | 1020 Bouvier Street | Québec, Quebec | **50%** | — |
| Société en commandite Chaudière-Duplessis | De la Chaudière Boulevard | Québec, Quebec | **75%** | — |

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

The following table summarizes the financial information of the investments in these joint ventures accounted for under the equity method in accordance with IFRS 11:

| | For the quarter ended March 31, 2015 | For the year ended December 31, 2014 |
|---|---|---|
| | $ | $ |
| Investments in joint ventures, beginning of period | **41,633** | — |
| Contribution to the capital of a joint venture – transfer of an income property to a joint venture | **—** | 97,850 |
| Disposal of a portion of the investment in a joint venture | **—** | (20,150) |
| Share of net income from investment in a joint venture | **557** | 10,918 |
| Liquidities distributed by a joint venture | **(200)** | (1,475) |
| Contribution to the capital of a joint venture – cash | **18,450** | 7,606 |
| Return of capital from a joint venture | **(1,231)** | (53,116) |
| Investments in joint ventures, end of period | **59,209** | 41,633 |

The following tables summarize the cumulative financial information of the joint ventures:

| | As at March 31, 2015 | As at December 31, 2014 |
|---|---|---|
| | $ | $ |
| Income property | **173,532** | 173,438 |
| Property under development | **8,800** | 5,612 |
| Land held for future development | **37,110** | 12,026 |
| Other assets | **1,188** | 1,480 |
| Mortgage payable bearing interest at a fixed rate of 4.79% and maturing in February 2024 | **(104,076)** | (104,654) |
| Bank borrowings | **(7,274)** | |
| Other liabilities | **(3,164)** | (4,636) |
| Net assets | **106,116** | 83,266 |
| Investments in joint ventures | **59,209** | 41,633 |

| For the quarters ended March 31 | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Operating revenues | **4,914** | 4,310 |
| Operating expenses | **2,542** | 1,879 |
| Net operating income | **2,372** | 2,431 |
| Finance charges | **(1,258)** | (1,115) |
| Net income and comprehensive income | **1,114** | 1,316 |
| Share of net income from the investment in joint ventures | **557** | 658 |

# 6) MORTGAGES PAYABLE

The following table presents changes in mortgages payable for the periods indicated:

| | For the quarter ended March 31, 2015 | | For the year ended December 31, 2014 | |
|---|---|---|---|---|
| | | Weighted average contractual rate | | Weighted average contractual rate |
| | $ | % | $ | % |
| Balance, beginning of period | **1,948,462** | **4.79** | 1,763,922 | 5.06 |
| Net mortgages payable, contracted or assumed | **—** | **—** | 388,515 | 3.94 |
| Monthly repayments of principal | **(14,335)** | **—** | (53,156) | — |
| Repayments of balances at maturity | **(9,142)** | **5.26** | (150,819) | 5.89 |
| | **1,924,985** | **4.76** | 1,948,462 | 4.79 |
| Plus: Fair value adjustments on assumed mortgages payable | **21,130** | | 23,729 | |
| Less: Deferred financing costs | **(3,123)** | | (3,272) | |
| Balance, end of period | **1,942,992** | | 1,968,919 | |

Mortgages payable are primarily secured by immovable hypothecs on investment properties. They bear annual contractual interest rates ranging from 2.35% to 7.75% [2.69% to 7.75% as at December 31, 2014], representing a weighted average contractual rate of 4.76% as at March 31, 2015 [4.79% as at December 31, 2014], and are renewable at various dates from April 2015 to January 2039. As at March 31, 2015, the weighted average effective interest rate was 4.16% [4.17% as at December 31, 2014].

As at March 31, 2015, all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include covenants, with which Cominar was in compliance as at March 31, 2015.

# 7) DEBENTURES

The following table presents characteristics of outstanding debentures as at March 31, 2015:

| | Date of issuance | Contractual interest rate | Effective interest rate | Maturity date | Nominal value as at March 31, 2015 |
|---|---|---|---|---|---|
| | | % | % | | $ |
| Series 1 | June 2012(1) | 4.274 | 4.32 | June 2017 | 250,000 |
| Series 2 | December 2012(2) | 4.23 | 4.37 | December 2019 | 300,000 |
| Series 3 | May 2013 | 4.00 | 4.24 | November 2020 | 100,000 |
| Series 4 | July 2013(3) | 4.941 | 4.81 | July 2020 | 300,000 |
| Series 5 | October 2013 | 3.35(4) | 3.52 | October 2015 | 250,000 |
| Series 6 | September 2014 | 2.071(5) | 2.22 | September 2016 | 250,000 |
| Series 7 | September 2014 | 3.62 | 3.70 | June 2019 | 300,000 |
| Series 8 | December 2014 | 4.25 | 4.34 | December 2021 | 200,000 |
| **Total** | | **3.85** | **3.93** | | 1,950,000 |

*(1) Re-opened in September 2012 ($125,000).*
*(2) Re-opened in February 2013 ($100,000).*
*(3) Re-opened in January 2014 ($100,000) and March 2014 ($100,000).*
*(4) Variable interest rate fixed quarterly for the period from January 10, 2015 to April 9, 2015 (corresponding to the three-month CDOR rate plus 205 basis points).The rate for the period from April 10, 2015 to July 9, 2015 was fixed at 3.048%.*
*(5) Variable interest rate fixed quarterly for the period from March 23, 2015 to June 22, 2015 (corresponding to the three-month CDOR rate plus 108 basis points).*

The following table presents changes in debentures for the periods indicated:

| | For the quarter ended March 31, 2015 | | For the year ended December 31, 2014 | |
|---|---|---|---|---|
| | | Weighted average contractual rate | | Weighted average contractual rate |
| | $ | % | $ | % |
| Balance, beginning of period | **1,950,000** | **3.89** | 1,000,000 | 4.06 |
| Issuances | **—** | **—** | 950,000 | 3.70 |
| | **1,950,000** | **3.85** | 1,950,000 | 3.89 |
| Less: Deferred financing costs | **(7,569)** | | (8,079) | |
| Plus: Net premium and discount on issuance | **3,513** | | 3,706 | |
| Balance, end of period | **1,945,944** | | 1,945,627 | |

## 8) 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 any Cominar distributions. All issued units are fully paid.

On January 30, 2015, Cominar closed a public offering of 7,901,650 units including a full exercise of the over-allotment option at a price of $19.65 per unit. Total net proceeds received by Cominar amounted to $148,719, after deducting the underwriters' fee and costs related to the offering. Net proceeds from this offering were used to repay the balance of the unsecured revolving credit facility.

The following table presents the various sources of unit issuances for the periods indicated:

| | For the quarter ended March 31, 2015 | | For the year ended December 31, 2014 | |
|---|---|---|---|---|
| | Units | $ | Units | $ |
| Units issued and outstanding, beginning of period | **158,689,195** | **2,839,515** | 127,051,095 | 2,251,974 |
| Public offering | **7,901,650** | **148,719** | 15,131,700 | 275,428 |
| Private placement | **—** | **—** | 13,158,000 | 249,940 |
| Exercise of options | **250,900** | **4,403** | 92,000 | 1,426 |
| Distribution reinvestment plan | **683,650** | **13,296** | 3,247,589 | 60,534 |
| Conversion of deferred units | **—** | **—** | 8,811 | — |
| Reversal of contributed surplus | **—** | **49** | — | 213 |
| Units issued and outstanding, end of period | **167,525,395** | **3,005,982** | 158,689,195 | 2,839,515 |

## 9) 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 per unit for the periods indicated:

| For the quarters ended March 31 | 2015 | 2014 |
|---|---|---|
| | Units | Units |
| Weighted average number of units outstanding – basic | **164,301,125** | 127,140,777 |
| Dilutive effect related to the long-term incentive plan | **375,625** | 123,502 |
| Dilutive effect of convertible debentures | **10,242,017** | 10,777,511 |
| Weighted average number of units outstanding – diluted | **174,918,767** | 138,041,790 |

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 4,100,183 options outstanding as at March 31, 2015 [5,095,133 options as at March 31, 2014] since the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units. The calculation of diluted net income per unit also includes the elimination of interest at the effective rate on the convertible debentures of $3,320 [$3,296 in 2014].

## 10) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items were as follows:

| For the quarters ended March 31 | Note | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| Prepaid expenses and other assets | | **(28,464)** | (11,722) |
| Accounts receivable | | **(1,513)** | (23,195) |
| Accounts payable and accrued liabilities | | **(8,506)** | 26,400 |
| | | **(38,483)** | (8,517) |
| **Other information** | | | |
| Acquisitions of investment properties through assumption of mortgages payable | | **—** | 101,051 |
| Unpaid acquisitions and investments with respect to investment properties | | **18,313** | 16,309 |
| Contribution to the capital of a joint venture – transfer of an income property to a joint venture | 5 | **—** | 97,850 |

## 11) FINANCIAL INSTRUMENTS

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

| | | For the quarter ended March 31, 2015 | | For the year ended December 31, 2014 | |
|---|---|---|---|---|---|
| | Level | Carrying amount | Fair value | Carrying amount | Fair value |
| | | $ | $ | $ | $ |
| FINANCIAL LIABILITIES | | | | | |
| **Other financial liabilities** | | | | | |
| Mortgages payable | 2 | **1,942,992** | **2,041,211** | 1,968,919 | 2,033,907 |
| Debentures | 2 | **1,945,944** | **2,040,718** | 1,945,627 | 2,004,418 |
| Convertible debentures | 1 | **183,425** | **191,966** | 183,081 | 191,121 |

Cominar uses a three-level hierarchy to classify its financial instruments and its investment properties. 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)

## 12) 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. Cominar uses net operating income as its main criterion to measure operating performance, that is, operating revenues less 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 condensed interim consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on these three property types:

| For the quarters ended | Office properties | Retail properties | Industrial and mixed-use properties | Cominar's proportionate share | Joint ventures | Condensed interim consolidated financial statements |
|---|---|---|---|---|---|---|
| **March 31, 2015** | **$** | **$** | **$** | **$** | **$** | **$** |
| Rental revenue from investment properties | **104,344** | **85,098** | **42,426** | **231,868** | **(2,457)** | **229,411** |
| Net operating income | **52,155** | **45,415** | **22,682** | **120,252** | **(1,186)** | **119,066** |
| Share of net income from investment in joint ventures | **—** | **—** | **—** | **—** | **557** | **557** |
| **March 31, 2014** | **$** | **$** | **$** | **$** | **$** | **$** |
| Rental revenue from investment properties | 92,688 | 44,077 | 39,061 | 175,826 | (2,155) | 173,671 |
| Net operating income | 48,045 | 23,031 | 20,917 | 91,993 | (1,216) | 90,778 |
| Share of net income from investment in joint ventures | — | — | — | — | 658 | 658 |

| | Office properties | Retail properties | Industrial and mixed-use properties | Cominar's proportionate share | Joint ventures | Condensed interim consolidated financial statements |
|---|---|---|---|---|---|---|
| **As at March 31, 2015** | $ | $ | $ | $ | $ | $ |
| Income properties | **3,367,530** | **3,081,424** | **1,368,994** | **7,817,948** | **(86,766)** | **7,731,182** |
| Investments in joint ventures | **—** | **—** | **—** | **—** | **59,209** | **59,209** |
| **As at December 31, 2014** | $ | $ | $ | $ | $ | $ |
| Income properties | 3,349,259 | 3,070,310 | 1,364,973 | 7,784,542 | (86,719) | 7,697,823 |
| Investments in joint ventures | — | — | — | — | 41,633 | 41,633 |

## 13) SUBSEQUENT EVENTS

On April 17, 2015, Cominar declared a distribution of $0.1225 per unit for the month.

On April 23, 2015, Cominar acquired a portfolio of 3 industrial properties of approximately 697,000 square feet in total leasable area, located in the greater Montréal area, for a purchase price of $34,500 paid cash.

# CORPORATE INFORMATION

## BOARD OF TRUSTEES



## KEY OFFICERS

**Michel Dallaire, Eng.**
President and Chief Executive Officer

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

**Gilles Hamel, CPA, CA**
Executive Vice-President and Chief Financial Officer

**Me Michel Paquet, LL.L.**
Senior Executive Vice-President and Secretary

**Guy Charron, CPA, CA**
Executive Vice-President, Operations – Retail

**Alain Dallaire**
Executive Vice-President, Operations – Office and Industrial and Asset Management

**Todd Bechard, CMA, CFA**
Executive Vice-President, Acquisitions

**Jean Laramée, Eng.**
Executive Vice-President, Development

**Michael Racine**
Executive Vice-President, Leasing – Office and Industrial

# 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
Website: www.cominar.com

## LISTING

The units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols CUF.UN, CUF.DB.D and CUF.DB.E.

## 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

## TAXABILITY OF DISTRIBUTIONS

In 2014, 82.05% of the distributions made by Cominar to unitholders were tax deferred.

## LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

## AUDITORS

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

## 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 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Transfer Agent.

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