



COMINAR

Management's Discussion & Analysis
Consolidated Financial Statements

Fiscal Year ended December 31, 2007

COMINAR REAL ESTATE INVESTMENT TRUST

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Management's Discussion & Analysis

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Consolidated Financial Statements

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Introduction

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT"), for the fiscal year ended December 31, 2007, as well as its financial position at that date and its outlook. Dated March 13, 2008, this MD&A reflects all significant information available to that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report on page 56. Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts, and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Additional information about us, including our 2007 Annual Information Form, is available free of charge on our 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 MD&A.

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 filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2008 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", "intend", "forecast", "objective" 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 general business and economic

conditions in Canada, 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 customers, our ability to refinance our debts upon maturity and to lease vacant space, as well as changes in interest rates.

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 us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this MD&A.

Non-GAAP Financial Measures

We issue guidance on and report on certain non-GAAP measures, including "net operating income", "distributable income", "funds from operations" and "adjusted funds from operations", which we use to evaluate our performance. Because non-GAAP measures do not have a standardized meaning and may differ from similar measures presented by other issuers, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

General Business Overview

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As of March 13, 2008, we own and manage a high-quality portfolio of 208 properties including 36 office buildings, 38 retail buildings and 134 industrial and mixed-use buildings covering over 17.0 million square feet in the Québec City, Montréal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. During fiscal 2007, we added 67 properties to Cominar's real estate portfolio, representing over 6.8 million square feet of leasable area. Consequently, the gross book value of our real estate assets has increased more than sixfold since 1998, rising from \$244.6 million to over \$1.5 billion as at December 31, 2007.

Our asset and property management is internalized and we are a fully integrated, self-managed real estate investment operation. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is an improved financial performance for Cominar.

Objectives and Strategy

OBJECTIVES

Cominar's primary objectives are to provide its unitholders with growing tax-deferred cash distributions, payable monthly, and to increase and maximize unit value through proactive management and the growth of its property portfolio.

STRATEGY

To continue to ensure the growth of distributions and to increase return on investment for unitholders, Cominar strives to manage growth, operational risk and debt in a flexible and prudent manner. The key strategic axes for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**

To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Quebec City, Montreal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project in question over the short and long term. Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and the construction and development of quality properties in locations in great demand with customers.

- **Diversification of our property portfolio**

This strategic axis includes the following elements:

(a) **Sector diversification** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three sectors of activity: office buildings, retail properties and industrial and mixed-use properties. By diversifying our activities among three types of properties, Cominar reduces the risk associated with any given sector. This diversification contributes to steady revenue and income growth.

(b) **Geographic diversification** – While consolidating its dominant position in the Québec City area, Cominar has from the outset established a major presence in the Montréal area where it owns, as at March 13, 2008, 112 properties representing approximately 10.1 million square feet of leasable area. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. As with sector diversification, geographic diversification allows Cominar to better mitigate the risks associated with the real estate business.

(c) **Customer diversification** – Cominar serves an extensive and diverse customer base operating in many sectors of activity. Customers occupy an average area of 7,000 square feet. This diversification allows us to maintain foreseeable cash flows.

- **Proactive property management emphasizing the growth of occupancy rates and net leasing income**

Retail real estate is a dynamic investment and requires active and experienced management. With its integrated management, Cominar exercises rigorous, preventive and cost-effective control over its operations. Expanding our property portfolio enables us to achieve economies of scale and synergies. We thereby assure delivery of efficient, cost-effective services to our customers. The result is increased customer satisfaction and high occupancy and retention rates.

- **Prudent financial management**

Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum authorized by its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach allows us to retain the funds needed for our capital expenditures and for the implementation of our leasing programs.

Performance Indicators

Cominar measures the success of our strategy with a number of performance indicators, as follows:

Operational Performance

Customer satisfaction is defined as customer perception and judgment of the service received and their loyalty with respect to Cominar. Two indicators are used to measure customer satisfaction: occupancy rate and retention rate; the latter is calculated as the leasable space of renewed leases divided by the leasable space of leases that expired during the year.

Financial Performance

To measure our financial performance, Cominar uses the following key indicators:

- **same property net operating income**, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;
- **the NOI margin**, which provides an indication of the operating profitability of the portfolio;
- **(recurring) distributable income per unit**, which represents a benchmark for investors to judge the stability of distributions;
- **(recurring) funds from operations per unit**, which represent a significant measure of Cominar's ability to generate cash flows;
- **(recurring) adjusted funds from operations per unit**, which considers leasing costs and capital expenditures and can vary significantly from one entity to another and/or according to their sector of activity; and
- **the debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization.

Definitions and other information regarding these performance indicators are provided in the relevant sections.

Significant Event of Fiscal 2007

ACQUISITION OF PROPERTIES FROM ALEXIS NIHON REAL ESTATE INVESTMENT TRUST

During the months of June and July 2007, Cominar acquired 35 industrial and mixed-use and 19 office properties from Alexis Nihon Real Estate Investment Trust and its exclusive entities, representing 6.3 million square feet of leasable area and a \$592 million investment, pursuant to the agreement between Cominar and Homburg Invest Inc. In conformity with GAAP, this transaction was treated as a business acquisition and recorded using the purchase method. The fees related to this transaction amounted to \$14.9 million, of which \$7.7 million related to real estate transfer duties.

The following table presents the investments made by the Trust in these properties:

| Sector of activity | Number of properties | Leasable area | Purchase price |
|--------------------------|----------------------|------------------|----------------|
| Office | 19 | 2,412,585 | 349,076 |
| Industrial and mixed-use | 35 | 3,877,623 | 257,800 |
| Total | 54 | 6,290,208 | 606,876 |

Income properties

| | |
|---|---------|
| Land | 72,786 |
| Buildings | 447,620 |
| Intangible assets and liabilities | |
| - Lease origination costs for in-place leases | 56,677 |
| - Above-market in-place leases | 1,860 |
| - Below-market in-place leases | (4,318) |
| - Customer relationships | 19,838 |

| | |
|------------------------------|----------------|
| Properties under development | 12,413 |
| Total purchase price | 606,876 |

The purchase price was settled as follows:

| | |
|---------------------------------|----------------|
| Cash and cash equivalents | 365,330 |
| Assumption of mortgages payable | 241,546 |
| Total consideration paid | 606,876 |

The results of income properties acquired, and of co-owned properties, are included in Cominar's financial results as of their acquisition dates.

Information on the acquired properties is presented in the following table:

| Income property | City | Sector ⁽¹⁾ | Leasable area (sq.ft.) | Income property | City | Sector ⁽¹⁾ | Leasable area (sq.ft.) |
|--|---------------|-----------------------|------------------------|----------------------------|--|-----------------------|------------------------|
| 1080 Beaver Hall Hill, | Montréal | O | 319,239 | 8740-8878 Pie-IX Blvd., | Montréal | I | 165,589 |
| 4700 de la Savane, | Montréal | O | 189,933 | 7075 Place Robert-Joncas, | Saint-Laurent | I | 218,473 |
| 455 Fénelon Blvd., | Dorval | O | 95,656 | 1225 Volta St., | Boucherville | I | 225,600 |
| 9900 Cavendish Blvd., | St-Laurent | O | 84,693 | 2000 Halpern St., | Saint-Laurent | I | 527,000 |
| 9999 Cavendish Blvd., | St-Laurent | O | 51,100 | 2105 23rd Avenue, | Lachine | I | 318,960 |
| 9960-9970 Chemin de la Côte-de-Liesse, | Lachine | O | 24,817 | 1111 46th Avenue, | Lachine | I | 107,644 |
| 1 Place Laval, | Laval | O | 123,870 | 1200 55th Avenue, | Lachine (50 % co-owned) ⁽²⁾ | I | 34,231 |
| 2 Place Laval, | Laval | O | 101,930 | 5055 Lévy St., | Saint-Laurent | I | 60,666 |
| 3 Place Laval, | Laval | O | 188,077 | 2400 Trans-Canada Highway, | Pointe-Claire | I | 194,993 |
| 4 Place Laval, | Laval | O | 140,237 | 243 Hymus Blvd., | Pointe-Claire | I | 40,000 |
| 3080 Le Carrefour Blvd., | Laval | O | 89,070 | 2555 Pitfield Blvd., | Saint-Laurent | I | 99,000 |
| 3090 Le Carrefour Blvd., | Laval | O | 73,052 | 731-749 Meloche Avenue, | Dorval (25 % co-owned) ⁽²⁾ | I | 8,892 |
| 3100 Le Carrefour Blvd., | Laval | O | 77,480 | 703-729 Meloche Avenue, | Dorval (25 % co-owned) ⁽²⁾ | I | 7,927 |
| 2525 Daniel-Johnson Blvd., | Laval | O | 110,258 | 679-701 Meloche Avenue, | Dorval (25 % co-owned) ⁽²⁾ | I | 8,690 |
| 1111 Dr. Frederik-Philips Blvd., | St-Laurent | O | 102,744 | 1730-1850 55th Avenue, | Lachine (50 % co-owned) ⁽²⁾ | I | 39,512 |
| 3300 de la Côte-Vertu Blvd., | St-Laurent | O | 98,268 | 1520-1660 55th Avenue, | Lachine (50 % co-owned) ⁽²⁾ | I | 39,512 |
| 550 de la Cité Blvd., | Gatineau | O | 320,742 | 1875 55th Avenue, | Dorval (50 % co-owned) ⁽²⁾ | I | 40,939 |
| 480 de la Cité Blvd., | Gatineau | O | 45,528 | TOTAL | | | 6,290,208 |
| 400 Cooper St., | Ottawa | O | 175,891 | | | | |
| 3071-3075 Louis-A.-Amos, | Lachine | I | 164,195 | | | | |
| 1615-1805 55th Avenue, | Dorval | I | 158,310 | | | | |
| 3339-3403 Griffith St., | Saint-Laurent | I | 118,102 | | | | |
| 8100 Cavendish Blvd., | Saint-Laurent | I | 114,596 | | | | |
| 1949 Onésime-Gagnon St., | Lachine | I | 95,769 | | | | |
| 2260 32nd Avenue, | Lachine | I | 92,429 | | | | |
| 2102-2150 32nd Avenue, | Lachine | I | 77,416 | | | | |
| 2024-2080 32nd Avenue, | Lachine | I | 68,430 | | | | |
| 6320-6380 Chemin de la Côte-De-Liesse, | Saint-Laurent | I | 58,483 | | | | |
| 2025 de la Métropole St., | Longueuil | I | 206,523 | | | | |
| 1925-1975 Hymus Blvd., | Dorval | I | 105,708 | | | | |
| 80-140 Lindsay Avenue, | Dorval | I | 44,381 | | | | |
| 8411-8453 Chemin Dalton, | Mont-Royal | I | 31,520 | | | | |
| 8459-8497 Chemin Dalton, | Mont-Royal | I | 41,703 | | | | |
| 8545-8579 Chemin Dalton, | Mont-Royal | I | 38,423 | | | | |
| 8605-8639 Chemin Dalton, | Mont-Royal | I | 37,463 | | | | |
| 7527-7583 Henri-Bourassa Blvd., | Montréal | I | 138,915 | | | | |
| 8552-8648 Pie-IX Blvd, | Montréal | I | 147,629 | | | | |

(1) O = Office, I = Industrial and mixed-use

(2) Leasable area indicated reflects Cominar's share in the building

Performance Analysis

RESULTS OF OPERATIONS

The following table summarizes our results of operations for fiscal 2007 and 2006, and should be read in conjunction with the financial statements and accompanying notes presented in this Annual Report. It should be noted that certain amounts for fiscal 2006 have been reclassified as “discontinued operations” in conformity with GAAP.

| For the years ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------|---------|---------|
| Operating revenues | 182,124 | 126,750 | 55,374 |
| Operating expenses | 72,353 | 49,699 | 22,654 |
| Net operating income | 109,771 | 77,051 | 32,720 |
| Interest on borrowings | 35,711 | 20,712 | 14,999 |
| Depreciation of income properties | 35,514 | 15,261 | 20,253 |
| Amortization of deferred leasing costs | 6,965 | 6,139 | 826 |
| Amortization of other assets | 196 | 177 | 19 |
| Trust administrative expenses | 2,968 | 2,130 | 838 |
| Other revenues | 394 | 489 | (95) |
| Unusual items | 422 | (554) | 976 |
| Net income from continuing operations | 29,233 | 32,567 | (3,334) |
| Net income from discontinued operations | 8 | 1,508 | (1,500) |
| Net income | 29,241 | 34,075 | (4,834) |
| Net income per unit (basic) | 0.70 | 0.99 | (0.29) |
| Net income per unit (diluted) | 0.69 | 0.98 | (0.29) |

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at December 31, 2007 and 2006, and should be read in conjunction with the financial statements and accompanying notes presented in this Annual Report.

| As at December 31, | 2007 | 2006 | Δ\$ |
|---|------------------|----------------|----------------|
| ASSETS | | | |
| Income properties (amortized cost) | 1,323,095 | 711,441 | 611,654 |
| Properties under development and land held for future development | 61,280 | 24,232 | 37,048 |
| Other assets | 58,419 | 50,782 | 7,637 |
| Total | 1,442,794 | 786,455 | 656,339 |
| LIABILITIES | | | |
| Mortgages payable | 619,755 | 270,142 | 349,613 |
| Convertible debentures | 203,852 | 39,984 | 163,868 |
| Bank indebtedness | 35,321 | 73,616 | (38,295) |
| Other liabilities | 42,170 | 25,705 | 16,465 |
| | 901,098 | 409,447 | 491,651 |
| UNITHOLDERS' EQUITY | | | |
| | 541,696 | 377,008 | 164,688 |
| Total | 1,442,794 | 786,455 | 656,339 |

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for fiscal 2007 and 2006. A detailed analysis of each of these performance indicators is provided on the page indicated:

PERFORMANCE INDICATORS

| | Page | 2007 | 2006 | Δ\$ | Δ% |
|---|------|--------|--------|-------|-----|
| Same property net operating income | 27 | 72,464 | 70,380 | 2,084 | 3.0 |
| DI per unit (basic) | 30 | 1.51 | 1.41 | 0.10 | 7.1 |
| Recurring funds from operations per unit (basic) | 32 | 1.73 | 1.64 | 0.09 | 5.5 |
| Recurring adjusted funds from operations per unit (basic) | 33 | 1.43 | 1.35 | 0.08 | 5.9 |

| | Page | 2007 | 2006 | Δ% | Δ% |
|----------------|------|--------------|-------|-------|-------|
| NOI margin | 27 | 60.3% | 60.8% | (0.5) | — |
| Debt ratio | 36 | 55.9% | 45.4% | 10.5 | 23.1 |
| Occupancy rate | 41 | 94.7% | 94.4% | 0.3 | — |
| Retention rate | 42 | 82.1% | 85.6% | (3.5) | (4.1) |

Results of Operations

OVERALL ANALYSIS

OPERATING REVENUES

We achieved excellent revenues in 2007. The 43.7% increase in operating revenues is due mainly to the contribution, since June 2007, of the office and industrial and mixed-use properties acquired from Alexis Nihon in June and July 2007, as well as other acquisitions completed and integrated in 2006 and 2007.

OPERATING REVENUES

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|--|----------------|---------|--------|------|
| Same property portfolio ⁽¹⁾ | 120,739 | 117,841 | 2,898 | 2.5 |
| Acquisitions and developments | 61,385 | 8,909 | 52,476 | — |
| Total operating revenues | 182,124 | 126,750 | 55,374 | 43.7 |

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2005, except those taken into account in the calculation of net income from discontinued operations, and does not include the benefits of acquisitions and developments completed in 2006 and 2007.

Our same property portfolio posted a 2.5% increase in operating revenues for fiscal 2007. This organic growth is due to rent increases provided for under existing leases, as well as higher rents obtained on the renewal of leases and the signature of new leases. It reflects the high quality of our properties and the sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses increased by 45.6% during fiscal 2007 over fiscal 2006. This variation reflects the increase in the size of the portfolio size as a result of completed acquisitions and developments. As a percentage of total operating revenues, overall operating expenses were the same as in 2006, representing approximately 39% of operating revenues, attesting to our ability to contain our operating expenses and to pass these expenses on to customers.

OPERATING EXPENSES

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|----------------------------------|---------------|--------|--------|------|
| Same property portfolio | 48,275 | 47,461 | 814 | 1.7 |
| Acquisitions and development | 24,078 | 2,238 | 21,840 | — |
| Total operating expenses | 72,353 | 49,699 | 22,654 | 45.6 |

NET OPERATING INCOME

Although Net Operating Income ("NOI") is not a financial measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. This definition may differ from that of other issuers and, therefore, Cominar's net operating income may not be comparable to similar measures presented by such other issuers.

NET OPERATING INCOME

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|----------------------------------|----------------|--------|--------|------|
| Same property portfolio | 72,464 | 70,380 | 2,084 | 3.0 |
| Acquisitions and developments | 37,307 | 6,671 | 30,636 | — |
| Total NOI | 109,771 | 77,051 | 32,720 | 42.5 |
| NOI margin | 60.3% | 60.8% | | |

NOI grew 42.5% during fiscal 2007 over 2006, while our NOI margin stood at 60.3% of operating revenues, which is similar to that of the corresponding previous period. Our NOI margins (financial performance indicator) are still among the highest of real estate investment trusts, thanks to rigorous management of the Trust.

Same property NOI (financial performance indicator) grew 3.0% during fiscal 2007 due mainly to the increase in operating revenues and to a stringent control of operating expenses.

Cominar's management considers the analysis of same property NOI particularly important because this measure provides an indication of our success in containing operating expenses and our ability to transfer these controlled expenses to our customers. The growth in operating revenues also attests to our ability to negotiate lease agreements that provide growing cash flows over time, thereby contributing to the delivery of added value for unitholders.

INTEREST ON BORROWINGS

In 2007, total interest on borrowings increased by 72.4% as compared with 2006, due mainly to the different financing agreements arranged or assumed for the settlement of recent acquisitions. It represented 19.6% of operating revenues as at December 31, 2007, compared with 16.3% as at December 31, 2006.

The following table indicates the source of interest on borrowings presented in our financial statements:

INTEREST ON BORROWINGS

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|---|---------------|---------------|---------------|-------------|
| Mortgages and bank indebtedness | 32,878 | 18,863 | 14,015 | 74.3 |
| Convertible debentures | 6,303 | 4,639 | 1,664 | 35.9 |
| Amortization of borrowing costs | 735 | 550 | 185 | 33.6 |
| Accretion of liability component of convertible debentures | 9 | — | 9 | — |
| Amortization of fair value adjustments on assumed mortgages payable | (52) | — | (52) | — |
| Less: Capitalized interest | (2,922) | (1,480) | (1,442) | 97.4 |
| Less: Interest related to discontinued operations | (1,240) | (1,860) | 620 | (33.3) |
| Total interest on borrowings | 35,711 | 20,712 | 14,999 | 72.4 |

DEPRECIATION OF INCOME PROPERTIES

In 2007, depreciation of income properties more than doubled as compared with 2006. This increase is due to the acquisitions and developments completed in 2006 and 2007. It should be noted that since September 2003, the CICA has required that

the purchase price of an income property be allocated between tangible assets comprising the land and the building, and intangible assets such as operating leases and customer relationships. These intangible assets are amortized on a straight-line basis over the terms of related leases. The resulting amortization is therefore accelerated relative to the depreciation of properties held for a number of years. Thus, the depreciation attributable to income properties acquired or completed during the year represented 1.5 times that of the same property portfolio, or 60.0% of the total depreciation of income properties.

DEPRECIATION OF INCOME PROPERTIES

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|--|---------------|---------------|---------------|----------|
| Same property portfolio | 14,171 | 14,035 | 136 | 1.0 |
| Acquisitions and developments | 21,343 | 1,226 | 20,117 | — |
| Total depreciation of income properties | 35,514 | 15,261 | 20,253 | — |

DEPRECIATION OF INCOME PROPERTIES

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|--|---------------|---------------|---------------|----------|
| Amortization of tangible assets | 22,818 | 14,458 | 8,360 | 57.8 |
| Amortization of intangible assets | 12,696 | 803 | 11,893 | — |
| Total depreciation of income properties | 35,514 | 15,261 | 20,253 | — |

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses increased by 39.3% to \$3.0 million in 2007. This is, due mainly to an increase in human resources following the acquisition of the Alexis Nihon properties and new hires to support the growth needs of our real estate portfolio. Despite this increase, the Trust's administrative expenses represented only 1.6% of 2007 operating revenues, compared with 1.7% for the corresponding period in 2006.

UNUSUAL ITEMS

During the second quarter of 2007, Cominar realized non-recurring interest income of \$0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, on the closing of the acquisition of the Alexis Nihon properties. During the first quarter of 2006, Cominar recorded non-recurring expenses of \$0.6 million related to its offer to acquire all outstanding units of Alexis Nihon.

DISCONTINUED OPERATIONS

In accordance with the CICA Handbook Section 3475, the results of discontinued operations must be reclassified as a distinct component of net income for the fiscal year in which the sale of these operations took place, as well as for the previous year presented for comparative purposes. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") and to a property sold in December 2006, is presented as net income from discontinued operations.

NET INCOME

Despite the excellent revenues achieved in 2007 and the growth of all of Cominar's key performance indicators, net income for the year was down 14.2% as compared with 2006. In fact, the comparison of 2007 net income with that of 2006 is not meaningful due mainly to the significant increase in depreciation of income properties attributable to acquisitions and developments completed in 2006 and 2007. The impact of this depreciation expense is based on the assumption that the value of properties falls over time. The impact of this assumption has been magnified by the application of the new rule explained on page 28 of this MD&A under "Depreciation of Income Properties". The reality tends to show that the value of properties rises or falls according to real estate market conditions.

NET INCOME

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|----------------------------------|---------------|--------|---------|--------|
| Net income | 29,241 | 34,075 | (4,834) | (14.2) |
| Net income per unit (basic) | 0.70 | 0.99 | (0.29) | (29.3) |
| Net income per unit (diluted) | 0.69 | 0.98 | (0.29) | (29.6) |

CONTINGENCY

An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montréal, Québec. The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served on Cominar on August 27, 2007, with an effective date of September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to \$30 million and was received during 2007. The definitive indemnity will be set by the Quebec Administrative Court or settled by the parties in the coming year. At

this stage, it is impossible to estimate or assess the amount of the definitive indemnity and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Greater Québec City, Montréal and Ottawa areas. The following tables present the contributions of these properties to net operating income, by sector of activity and geographic location, for the fiscal years ended December 31, 2007 and 2006. Variations are attributable primarily to acquisitions completed in 2007.

SEGMENTED INFORMATION BY SECTOR OF ACTIVITY

NET OPERATING INCOME

| For the years ended December 31, | 2007 | 2006 | 2006 | 2006 |
|----------------------------------|----------------|---------------|--------|--------|
| Sector of activity | | | | |
| Office | 43,135 | 39.3% | 24,820 | 32.2% |
| Retail | 25,872 | 23.6% | 23,651 | 30.7% |
| Industrial and mixed-use | 40,764 | 37.1% | 28,580 | 37.1% |
| Total NOI | 109,771 | 100.0% | 77,051 | 100.0% |

Office Sector

In 2007, NOI from office properties posted strong growth of 73.8% subsequent to the addition to the portfolio of 21 properties in this sector. The NOI margin declined slightly due mainly to properties acquired from Alexis Nihon, which had a lower occupancy rate at the acquisition date than Cominar's existing properties. The efforts made to increase the occupancy rates in these properties have yielded benefits, as indicated under "Real Estate Operations".

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|----------------------------------|---------------|--------|--------|-------|
| Operating revenues | 75,107 | 41,413 | 33,694 | 81.4% |
| Operating expenses | 31,972 | 16,593 | 15,379 | 92.7% |
| NOI – Office | 43,135 | 24,820 | 18,315 | 73.8% |
| NOI margin – Office | 57.4% | 59.9% | | |

Retail Sector

The retail sector's net operating income grew 9.4% in 2007 over the previous year, which represents an appreciable increase considering the fierce competition currently prevailing, especially in the Québec City region.

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|----------------------------------|---------------|---------------|--------------|-------------|
| Operating revenues | 44,344 | 41,130 | 3,214 | 7.8% |
| Operating expenses | 18,472 | 17,479 | 993 | 5.7% |
| NOI – retail | 25,872 | 23,651 | 2,221 | 9.4% |
| NOI margin – retail | 58.3% | 57.5% | | |

Industrial and Mixed-Use Sector

The industrial and mixed-use sector achieved an excellent performance in 2007, with a 42.6% increase in NOI stemming primarily from acquisitions during the year. This sector's operating revenues grew by 41.8%, whereas the increase in operating expenses was limited to 40.2%, contributing to maintain a stable NOI margin.

| For the years ended December 31, | 2007 | 2006 | Δ\$ | Δ% |
|--|---------------|---------------|---------------|--------------|
| Operating revenues | 62,673 | 44,207 | 18,466 | 41.8% |
| Operating expenses | 21,909 | 15,627 | 6,282 | 40.2% |
| NOI – Industrial and mixed-use | 40,764 | 28,580 | 12,184 | 42.6% |
| NOI margin – Industrial and mixed-use | 65.0% | 64.7% | | |

The following table shows that the recently completed acquisitions, primarily in the Montréal and Ottawa regions, have contributed to a better breakdown of revenue and profit streams, thereby minimizing the risk associated with any one region.

SEGMENTED INFORMATION BY GEOGRAPHIC LOCATION

NET OPERATING INCOME

| For the years ended December 31, | 2007 | 2007 | 2006 | 2006 |
|----------------------------------|----------------|---------------|---------------|---------------|
| Region: | | | | |
| Québec City | 53,205 | 48.5% | 50,780 | 65.9% |
| Montréal | 51,488 | 46.9% | 26,271 | 34.1% |
| Ottawa | 5,078 | 4.6% | — | — |
| Total NOI | 109,771 | 100.0% | 77,051 | 100.0% |

Distributable Income and Distributions

Although the concept of “distributable income” (“DI”) is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, DI per unit is also a benchmark enabling investors to ascertain the stability of distributions. Pursuant to the Contract of Trust governing Cominar, the total annual distributions paid monthly to unitholders must represent at least 85% of annual DI.

The following presents the calculation of DI in accordance with the terms of the Contract of Trust as well as reconciliation with net income calculated in accordance with GAAP:

DISTRIBUTABLE INCOME

| For the years ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------------|---------|---------|
| Net income (GAAP) | 29,241 | 34,075 | (4,834) |
| + Depreciation of income properties | 36,132 | 16,276 | 19,856 |
| + Amortization of (below-market)/above-market leases | (250) | 120 | (370) |
| + Compensation costs related to unit option plan | 217 | 179 | 38 |
| + Accretion of liability component of convertible debentures | 9 | — | 9 |
| - Deferred rentals | (2,060) | (1,754) | (306) |
| - Gain on sale of real estate assets | — | (835) | 835 |
| - Amortization of fair value adjustments on assumed mortgages payable | (52) | — | (52) |
| DI | 63,237 | 48,061 | 15,176 |
| + Unusual item | (422) | 554 | (976) |
| RDI | 62,815 | 48,615 | 14,200 |

DISTRIBUTIONS TO UNITHOLDERS

| | | | |
|-------------------------------------|---------|---------|--------|
| Distributions reinvested under DRIP | (1,950) | (1,347) | (603) |
| Cash distributions | 53,504 | 41,377 | 12,127 |

Per unit information:

| | | | | Δ% |
|---------------------|------|------|------|------|
| DI (basic) | 1.52 | 1.40 | 0.12 | 8.6 |
| DI (fully diluted) | 1.49 | 1.35 | 0.14 | 10.4 |
| RDI (basic) | 1.51 | 1.41 | 0.10 | 7.1 |
| RDI (fully diluted) | 1.48 | 1.36 | 0.12 | 8.8 |

DISTRIBUTIONS PER UNIT

| | | | |
|------------------|-------|-------|--|
| DI payout ratio | 85.6% | 87.9% | |
| RDI payout ratio | 86.2% | 86.9% | |

Fully diluted RDI per unit grew 7.1%, thanks mainly to the immediate impact of acquisitions and developments completed since the beginning of 2006 and to the significant 3.0% increase in same property NOI. Per unit distributions rose from \$1.230 in 2006 to \$1.301 in 2007, whereas the payout to RDI payout ratio was 86.2%, compared with 86.9% in 2006. This attests to Cominar's ability to manage the growth of its distributions while maintaining a payout ratio that gives it the latitude needed to ensure the stability of future distributions.

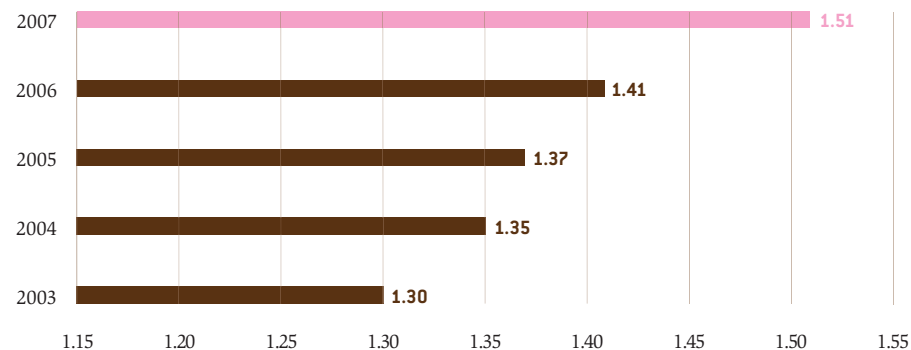
TRACK RECORD OF DI PER UNIT

(Financial Performance Indicator)

| For the years ended December 31, | 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------------------|------|------|------|------|------|
| DI per unit (basic) | 1.52 | 1.40 | 1.37 | 1.35 | 1.30 |
| RDI per unit (basic) | 1.51 | 1.41 | 1.37 | 1.35 | 1.30 |

Cominar's DI per unit, established in accordance with its Contract of Trust, is in our opinion a useful tool for assessing the Trust's operating performance because it highlights the per unit notion of the cash flows distributable to unitholders. Furthermore, given its historical nature, it is also a benchmark enabling investors to ascertain the stability of distributions.

RDI PER UNIT



On July 6, 2007, the Canadian Securities Administrators (CSA) issued an amended version of their "National Policy 41-201 – Income Trusts and Other Indirect Offerings", which includes guidelines on distributable cash.

In accordance with "Amended National Policy 41-201", the Trust is required to reconcile distributable (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements.

The following table presents this reconciliation:

| For the years ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------------|---------|----------|
| Cash flows from operating activities (GAAP) | 83,447 | 51,413 | 32,034 |
| - Deferred rentals | (2,060) | (1,754) | (306) |
| - Amortization of deferred leasing costs | (6,965) | (6,139) | (826) |
| - Amortization of deferred financing costs and other assets | (930) | (728) | (202) |
| - Change in non-cash operating working capital items | (10,255) | 5,269 | (15,524) |
| DI | 63,237 | 48,061 | 15,176 |

Deferred rentals result from straight-line accounting for rent increases set forth in leases. As Cominar does not collect these amounts during the year, deferred rentals are deducted from net income in the calculation of DI.

Although amortization of deferred leasing costs, deferred financing costs and other assets are non-cash items, Cominar deducts them in the computation of DI, as the income items of this amortization must be excluded from cash flows available for distribution to unitholders.

Furthermore, Cominar considers that no adjustment to the change in non-cash operating working capital items should be included in the calculation of DI; these items only representing changes in balance sheet items taken into consideration when establishing cash flows from operating activities.

Cominar also presents the following table, in accordance with CSA guidelines, to allow its readers to assess the source of cash distributions and how they relate to net income:

| For the years ended December 31, | 2007 | 2006 | Δ\$ |
|--|--------|--------|---------|
| Cash flows from operating activities | 83,447 | 51,413 | 32,034 |
| Net income | 29,241 | 34,075 | (4,834) |
| Distributions to unitholders | 55,454 | 42,724 | 12,730 |
| Cash flows from operating activities in excess of distributions to unitholders | 27,993 | 8,689 | 19,304 |

For fiscal 2007, cash flows from operating activities totalled \$83.4 million, whereas DI amounted to \$63.2 million. Excluding non-recoverable capital expenditures of \$0.7 million disbursed during the year, adjusted cash flows from operations stood at \$82.7 million. Cominar's operations therefore generated sufficient cash flows from its operating activities to finance distributions of \$55.5 million (\$53.5 million excluding distributions reinvested under the Distribution Reinvestment Plan ("DRIP")).

For comparative purposes, DI for fiscal 2006 amounted to \$48.1 million, whereas cash flows from operating activities stood at \$51.4 million, excluding non-recoverable capital expenditures of \$1.2 million. Adjusted cash flows from operations amounted to \$50.2 million. In 2006, Cominar's operations therefore generated sufficient funds to finance distributions of \$42.7 million.

In the near term, the annual non-recoverable capital expenditures needed to maintain Cominar's properties in good condition are not expected to have a significant impact on cash flows such that it would affect distributions.

As fiscal year net income is not used in the calculation of distributions payable to unitholders, Cominar considers that the comparison with this item is not indicative of its capacity to pay sustained distributions. The difference between distributions, calculated on the basis of DI, and net income, is primarily attributable to non-cash items, as shown above in the reconciliation between net income and DI.

Funds from Operations

Although the notion of "funds from operations" ("FFO") is not a financial measure defined under GAAP, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with GAAP), excluding gains (or impairment provisions and losses) from sales of income properties and extraordinary items, plus depreciation of income properties and amortization of deferred leasing costs. FFO should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating FFO is in compliance with REALpac recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

We consider FFO a meaningful additional measure of operating performance, since it excludes the assumption that the value of real estate assets diminishes predictably over time and discounts certain items included in net income, established in accordance with GAAP, that are not necessarily indicative of our operating performance (for example, gains or losses from the sale of real estate assets).

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the 12-month periods ended December 31, 2007 and 2006:

FUNDS FROM OPERATIONS

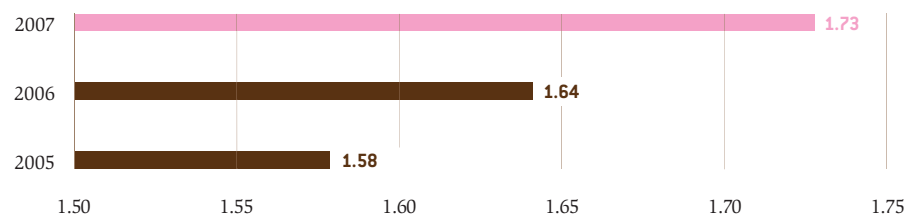
| For the years ended December 31, | 2007 | 2006 | Δ\$ | |
|--|---------------|--------|---------|-----|
| Net income (GAAP) | 29,241 | 34,075 | (4,834) | |
| + Depreciation of income properties | 36,132 | 16,276 | 19,856 | |
| + Amortization of deferred leasing costs | 6,965 | 6,139 | 826 | |
| - Gain on sale of real estate assets | — | (835) | 835 | |
| FFO | 72,338 | 55,655 | 16,683 | |
| + Unusual item | (422) | 554 | (976) | |
| Recurring FFO | 71,916 | 56,209 | 15,707 | |
| Per unit information: | | | Δ% | |
| FFO (basic) | 1.74 | 1.62 | 0.12 | 7.4 |
| FFO (fully diluted) | 1.68 | 1.54 | 0.14 | 9.1 |
| Recurring FFO (basic) | 1.73 | 1.64 | 0.09 | 5.5 |
| Recurring FFO (fully diluted) | 1.67 | 1.56 | 0.11 | 7.1 |

In 2007, FFO increased due to the acquisitions and developments completed during the year and strong organic growth. Recurring FFO per unit grew 5.5% for the year; on a fully diluted basis, they increased by 7.1% over the previous year.

TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT (Financial Performance Indicator)

| For the years ended December 31, | 2007 | 2006 | 2005 |
|----------------------------------|-------------|------|------|
| FFO per unit (basic) | 1.74 | 1.62 | 1.58 |
| Recurring FFO per unit (basic) | 1.73 | 1.64 | 1.58 |

Cominar's management considers FFO per unit a further useful tool for assessing a real estate company's operating performance. Although this performance indicator is not a measure of the cash flows generated by the company, or its ability to deliver distributions, it is widely used in the financial community.

RECURRING FFO PER UNIT*Adjusted Funds from Operations*

The notion of “Adjusted Funds from Operations” is fast becoming a key financial measure in the field of real estate investment trusts. AFFO constitutes an additional measure to assess Cominar’s financial performance as well as its ability to maintain and increase its distributions over the long term. We believe AFFO to be an effective measure of the financial results of different real estate investment trusts operating in a similar sector of activity, since it takes into consideration leasing costs and capital expenditures, which may vary substantially from one entity to the other, depending on their sector of activity.

The AFFO measure is not defined under GAAP and should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating AFFO may differ from the methods used by other trusts, and therefore cannot be used for comparison.

The following table presents a reconciliation of FFO and AFFO based on the sector’s standard definition for the 12-month periods ended December 31, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

| For the years ended December 31, | 2007 | 2006 | Δ\$ | |
|---|---------------|---------|---------|------|
| FFO | 72,338 | 55,655 | 16,683 | |
| + Amortization of deferred financing costs and other assets | 735 | 550 | 185 | |
| + Compensation costs related to unit option plan | 217 | 179 | 38 | |
| + Accretion on liability component of convertible debentures | 9 | — | 9 | |
| - Deferred rentals | (2,060) | (1,754) | (306) | |
| - Amortization of (below-market)/above-market leases | (250) | 120 | (370) | |
| - Deferred financing costs | (503) | (384) | (119) | |
| - Amortization of fair value adjustments on assumed mortgages payable | (52) | — | (52) | |
| - Non-recoverable capital expenditures ⁽¹⁾ | (656) | (1,195) | 539 | |
| - Leasing costs ⁽²⁾ | (9,746) | (7,479) | (2,267) | |
| AFFO | 60,032 | 45,692 | 14,330 | |
| + - Unusual item | (422) | 554 | (976) | |
| Recurring AFFO | 59,610 | 46,246 | 13,364 | |
| Per unit information: | | | Δ% | |
| AFFO per unit (basic) | 1.44 | 1.33 | 0.11 | 8.3 |
| AFFO per unit (fully diluted) | 1.42 | 1.29 | 0.13 | 10.1 |
| Recurring AFFO per unit (basic) | 1.43 | 1.35 | 0.08 | 5.9 |
| Recurring AFFO per unit (fully diluted) | 1.41 | 1.30 | 0.11 | 8.5 |

(1) Non-recoverable capital expenditures represent actual expenses incurred by Cominar to maintain its property portfolio, which are not recoverable from customers.

(2) Leasing costs represent actual leasing costs incurred, including those related to development projects.

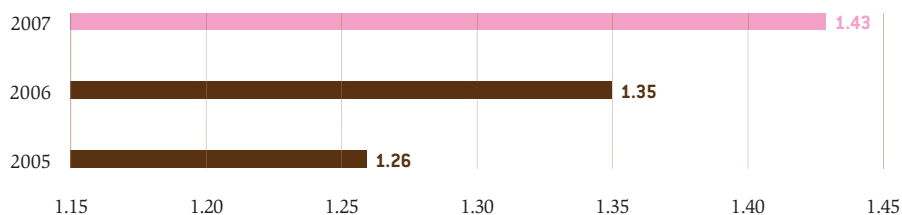
Fully diluted recurring AFFO posted a significant increase of 8.5% in 2007 over the previous year, due to acquisitions and developments completed during the year and strong organic growth.

TRACK RECORD OF ADJUSTED FUNDS FROM OPERATIONS PER UNIT (Financial Performance Indicator)

| For the years ended December 31, | 2007 | 2006 | 2005 |
|----------------------------------|------|------|------|
| AFFO per unit (basic) | 1.44 | 1.33 | 1.26 |
| Recurring AFFO per unit (basic) | 1.43 | 1.35 | 1.26 |

Management believes that AFFO, calculated using the previously described method, represents a key measure of Cominar's ability to generate cash flows by eliminating most non-cash items from net income, and accounting for expenditures made during the period, such as non-recoverable capital expenditures and leasing costs. During the three years presented in the historical table below, AFFO has always been higher than the distributions per unit made by Cominar. Management does not expect this situation to reverse in coming fiscal years.

RECURRING AFFO PER UNIT



Liquidity and Capital Resources

LONG-TERM DEBT

The following table presents Cominar's debt balances as at December 31, 2007, including mortgages payable and convertible debentures, by year of maturity and weighted average interest rates:

LONG-TERM DEBT

| Years of Maturity | Balance of Convertible Debentures (\$) | Balance of Mortgages Payable (\$) | Weighted Average Interest Rate (%) |
|-------------------|---|--------------------------------------|---------------------------------------|
| 2008 | | 133,315 | 6.09 |
| 2009 | | 54,750 | 5.58 |
| 2010 | | 25,788 | 5.10 |
| 2011 | | 6,110 | 7.99 |
| 2012 | | 21,499 | 7.04 |
| 2013 | | 8,115 | 7.31 |
| 2014 | 214,617 | 42,581 | 5.91 |
| 2015 | | 14,215 | 5.13 |
| 2016 | | — | — |
| 2017 | | 132,296 | 5.38 |
| 2018 | | 30,717 | 5.51 |
| 2019 | | 17,692 | 6.67 |
| 2020 | | — | — |
| 2021 | | 98,284 | 5.55 |
| 2022 | | 34,774 | 5.35 |
| Total | 214,617 | 620,136 | 5.79 |

MORTGAGES PAYABLE

As at December 31, 2007, mortgages payable amounted to \$620.1 million, compared with \$270.6 million as at December 31, 2006. This \$349.5 million increase in mortgages payable is due mainly to recent acquisitions. At 2007 year-end, the weighted average interest rate was 5.79%, down from 6.24% as at December 31, 2006.

Cominar has staggered mortgage expiry dates over a number of years to reduce the risks related to renewal. As at December 31, 2007, the residual average term of mortgages payable was 7.0 years.

In 2008, balances of \$132.1 million in mortgages payable will mature, of which \$81.3 million relate to Place de la Cité in Québec City, one of Cominar's most prestigious properties.

On March 13, 2008, Cominar repaid \$50.8 million in balances outstanding using its available credit facilities.

The following table presents the changes in mortgages payable in 2007:

MORTGAGES PAYABLE

| | \$ | Weighted average rate |
|--|--------------|--------------------------|
| Balances of mortgages payable as at December 31, 2006 | 270.6 | 6.24% |
| Mortgages payable contracted | 168.4 | 5.37% |
| Assumption of mortgages payable for acquisitions | 248.5 | 6.02% |
| Repayment of balances at maturity | (53.1) | — |
| Monthly repayment of principal | (14.3) | — |
| Balances of mortgages payable as at December 31, 2007 | 620.1 | 5.78% |

The following table shows mortgage repayments for the coming years:

MORTGAGE REPAYMENTS

| Years ending December 31, | Repayment of principal | Balance at maturity | Total | % of total |
|------------------------------|---------------------------|------------------------|----------------|---------------|
| 2008 | 14,348 | 132,098 | 146,446 | 23.6 |
| 2009 | 11,918 | 52,341 | 64,259 | 10.4 |
| 2010 | 12,055 | 24,070 | 36,125 | 5.8 |
| 2011 | 12,330 | 5,056 | 17,386 | 2.8 |
| 2012 | 12,209 | 16,380 | 28,589 | 4.6 |
| 2013 | 11,550 | 4,841 | 16,391 | 2.7 |
| 2014 | 11,259 | 32,209 | 43,468 | 7.0 |
| 2015 | 10,573 | 11,073 | 21,646 | 3.5 |
| 2016 | 10,817 | — | 10,817 | 1.8 |
| 2017 | 9,815 | 109,423 | 119,238 | 19.2 |
| 2018 | 8,848 | — | 8,848 | 1.4 |
| 2019 | 3,987 | 4,141 | 8,128 | 1.3 |
| 2020 | 3,987 | — | 3,987 | 0.7 |
| 2021 | 2,396 | 67,963 | 70,359 | 11.3 |
| 2022 | 262 | 24,187 | 24,449 | 3.9 |
| Total | 136,354 | 483,782 | 620,136 | 100.0 |

CONVERTIBLE DEBENTURES

Cominar considers convertible debentures a highly flexible means of financing because they leave properties free of liens.

Due to the significant increase in Cominar's unit price since the issue in September 2004 of Series A unsecured subordinated convertible debentures bearing interest at 6.3% per annum, a large number of convertible debentures have been converted into units. Of the original \$100.0 million issue, only \$24.1 million remained outstanding as at December 31, 2007. Each debenture is convertible into units of the REIT at a conversion price of \$17.40 per unit.

On May 8, 2007, Cominar issued \$80.5 million in Series B unsecured subordinated convertible debentures bearing interest at a rate of 5.70% per annum and maturing in June 2014. Each debenture is convertible into units of the REIT at a conversion price of \$27.50 per unit.

On October 10, 2007, Cominar issued \$110.0 million in Series C unsecured subordinated convertible debentures bearing interest at a rate of 5.80% per annum and maturing in September 2014. Each debenture is convertible into units of the REIT at a conversion price of \$25.25 per unit.

BANK INDEBTEDNESS

In 2007, Cominar obtained additional acquisition credit facilities of \$62 million from Canadian chartered banks. As at December 31, 2007, Cominar had operating and acquisition credit facilities of \$180 million, renewable annually, at interest rates of 0.00% to 0.50% above prime. These credit facilities were secured by movable and immovable hypothecs on specific assets. They are provided by three different financial institutions, and management has reason to believe that they will remain available in the future. As at December 31, 2007, bank indebtedness totalled \$35.3 million. Thus, Cominar had available credit facilities of \$144.7 million.

DEBT RATIO

The following table presents debt ratios as at December 31, 2007 and December 31, 2006:

DEBT TO GROSS BOOK VALUE RATIO

| As at December 31, | 2007 | 2006 |
|---|-----------|---------|
| Mortgages payable | 619,755 | 270,142 |
| Convertible debentures | 203,852 | 39,984 |
| Bank indebtedness | 35,321 | 73,616 |
| Total long-term debt | 858,928 | 383,742 |
| Portfolio gross book value | 1,535,478 | 845,960 |
| Overall debt ratio ^{(1) (2)} | 55.9% | 45.4% |
| Debt ratio (excluding convertible debentures) | 42.7% | 40.5% |
| Borrowing power - 65% of gross book value | 397,000 | — |
| Borrowing power - 60% (maximum allowed prior to 2007) | 156,000 | 305,000 |

(1) The overall debt to gross book value ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross book value of the property portfolio (total value of assets plus accumulated depreciation).

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

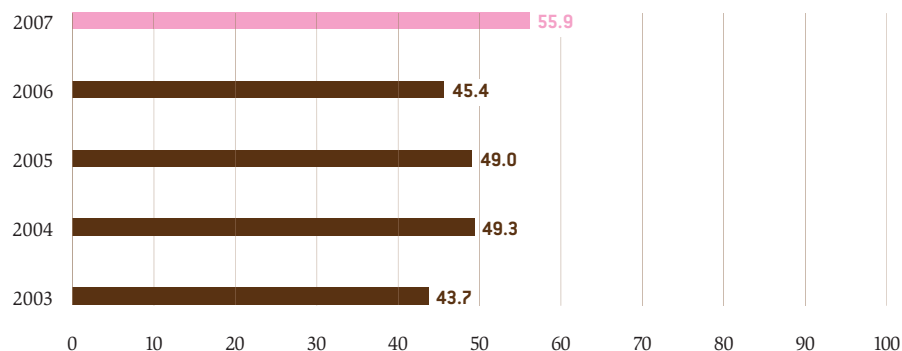
DEBT RATIO TRACK RECORD

(Financial Performance Indicator)

| For the years ended December 31, | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|------|------|------|------|------|
| Overall debt ratio | 55.9 | 45.4 | 49.0 | 49.3 | 43.7 |
| Debt ratio (excluding convertible debentures) | 42.7 | 40.5 | 36.3 | 35.7 | 43.7 |
| Maximum borrowing power allowed by the Contract of Trust (\$M) | 397 | 305 | 211 | 195 | 253 |

As at December 31, 2007, Cominar maintained a debt ratio of 55.9%, which is less than the maximum debt ratio of 65.0% allowed by its Contract of Trust if convertible debentures are outstanding. Management believes that this disciplined and conservative practice contributes to ensure the stability of future distributions and the prudent growth of the Trust.

DEBT RATIO (%)



The following table presents the interest coverage ratio as at December 31, 2007 and December 31, 2006:

INTEREST COVERAGE RATIO

| As at December 31, | 2007 | 2006 |
|--|---------------|---------|
| Net income | 29,241 | 34,075 |
| - Net income from discontinued operations | (8) | (1,508) |
| + Unusual items | (422) | 554 |
| - Other revenues | (394) | (489) |
| + Interest on borrowings | 35,711 | 20,712 |
| + Depreciation of income properties | 35,514 | 15,261 |
| + Amortization of deferred leasing costs | 6,965 | 6,139 |
| + Amortization of other assets | 196 | 177 |
| EBITDA ⁽¹⁾ | 106,803 | 74,921 |
| Interest expense | 36,951 | 22,572 |
| Interest coverage ratio ^{(2) (3)} | 2.89 | 3.32 |

(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.

(2) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.

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

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at December 31, 2007, the interest coverage ratio was 2.89:1, compared with 3.32:1 as at December 31, 2006, down slightly due to the financing of the recent acquisitions, but considered quite adequate by management.

UNITS

As was the case during the acquisition of the Alexis Nihon properties, as necessary, Cominar uses public offerings as a supplementary means of financing. The "Issued and Outstanding Units" section on page 43 of this MD&A provides further information in this regard.

CONTRACTUAL OBLIGATIONS

Cominar's most significant contractual obligations relate to its debt, including mortgages payable, convertible debentures and bank indebtedness, as well as payments required under emphyteutic leases on land for income properties, as described in further detail in note 23, "Commitments" to the financial statements.

Property Portfolio

The following table presents information about our property portfolio:

| As at December 31, | 2007 | 2006 |
|---|-----------|---------|
| Income properties (at cost) | 1,415,779 | 770,946 |
| Properties under development and land held for future development | 61,280 | 24,232 |
| Other assets | 58,419 | 50,782 |
| Portfolio gross book value | 1,535,478 | 845,960 |
| Number of properties | 208 | 139 |
| Leasable area (in thousands of sq. ft.) | 17,022 | 10,190 |

As at December 31, 2007:

| Summary by sector of activity | Number of properties | Leasable area (sq.ft.) |
|-------------------------------|----------------------|------------------------|
| Office | 36 | 4,792,264 |
| Retail | 38 | 2,644,731 |
| Industrial and mixed-use | 134 | 9,585,463 |
| Total | 208 | 17,022,458 |

| Summary by geographic location | Number of properties | Leasable area (sq.ft.) |
|--------------------------------|----------------------|------------------------|
| Québec City | 92 | 6,320,875 |
| Montréal | 112 | 10,093,008 |
| Ottawa | 4 | 608,575 |
| Total | 208 | 17,022,458 |

Acquisition and Development Program

There continues to be very strong demand for quality income properties in our markets, with pension funds, private equity and other players seeking to deploy their capital. This increasing demand has put downward pressure on capitalization rates.

Nevertheless, since the beginning of 2007, Cominar has completed acquisitions and developments totalling approximately 7.0 million square feet of leasable space and representing a \$659.4 million investment at a 7.0% weighted average capitalization rate. Excluding the acquisition of the Alexis Nihon properties, Cominar has identified and closed acquisitions at a 9.0% average capitalization rate, which exceeds the industry average, due to its market knowledge. Furthermore, thanks to its broad-based expertise in the real estate market, the Trust is perfectly poised to evaluate and execute successful development projects.

These completed acquisitions and developments contributed to a 67.0% increase in the portfolio's total leasable space and an 81.5% increase in the total gross value of Cominar's properties, which grew from \$846.0 million to \$1.5 billion as at December 31, 2007. While maintaining its dominant position in the Québec City region, the Trust continued to build its presence in the Montréal region and made its first acquisitions in the Ottawa region. For the fiscal year ended December 31, 2007, properties in the Québec City region accounted for 48.5% of net operating income, compared with 65.9% in 2006; properties in the Montréal region accounted for 46.9%, compared with 34.1% in 2006, while properties in the Ottawa region accounted for 4.6% of net operating income in 2007.

ACQUISITIONS

Detailed information about property acquisitions in 2007 is presented in the following table:

| Income property | City | Sector of activity ⁽¹⁾ | Closing date | Leasable area (sq.ft.) | Purchase price (\$) | Capitalization rate (%) |
|---|---------------|-----------------------------------|----------------------|------------------------|---------------------|-------------------------|
| 19100 Trans-Canada Highway | Baie d'Urfé | I | 01/07 | 25,564 | 2,100 | 9.4 |
| 115 de Vaudreuil St. | Longueuil | I | 03/07 ⁽²⁾ | 16,297 | 6,100 | 9.0 |
| 3600 Matte Blvd. | Brossard | I | 03/07 ⁽²⁾ | 27,074 | — | — |
| 3650 Matte Blvd. | Brossard | I | 03/07 ⁽²⁾ | 43,211 | — | — |
| 120 de l'Hôpital Blvd. | Gatineau | R | 03/07 | 67,140 | 9,750 | 9.1 |
| 565-585 Charest Blvd. East | Québec City | O | 03/07 | 104,375 | 11,030 | 9.3 |
| 795 Craig St. | Saint-Nicolas | I | 05/07 | 23,041 | 1,000 | 9.8 |
| 375 Sir-Wilfrid-Laurier Blvd. | St-Hilaire | O | 06/07 ⁽³⁾ | 49,855 | 26,400 | 8.8 |
| 325 H Charbonneau Blvd. | St-Hilaire | O | 06/07 ⁽³⁾ | 19,259 | — | — |
| 370 Sir-Wilfrid-Laurier Blvd. | St-Hilaire | R | 06/07 ⁽³⁾ | 46,074 | — | — |
| 353 Sir-Wilfrid-Laurier Blvd. | St-Hilaire | R | 06/07 ⁽³⁾ | 71,174 | — | — |
| 345 H Charbonneau Blvd. | St-Hilaire | R | 06/07 ⁽³⁾ | 24,175 | — | — |
| 383 Sir-Wilfrid-Laurier Blvd. | St-Hilaire | R | 06/07 ⁽³⁾ | 9,318 | — | — |
| Alexis Nihon REIT (described on page 25) | | | 06/07 | 6,290,208 | 592,000 | 6.8 |
| Total/weighted average capitalization rate: | | | | | | |
| - Excluding Alexis Nihon REIT | | | | 526,557 | 56,380 | 9.0 |
| - Including Alexis Nihon REIT | | | | 6,816,765 | 648,380 | 7.0 |

(1) I = Industrial and mixed-use, R = Retail, O = Office

(2) These three properties were acquired pursuant to a single transaction for \$6.1 million.

(3) These six properties were acquired pursuant to a single transaction for \$26.4 million.

DEVELOPMENT PROGRAM

Completed Developments

In 2007, the Trust converted four properties under development into income properties at a 9.9% rate of return. These properties represent a total additional

leasable area of 218,308 square feet and a \$11.0 million investment. The following table details the developments completed:

| Development | City | Sector of activity ⁽¹⁾ | Completion date | Leasable area (sq.ft.) | Investment (\$) | Capitalization rate (%) | Leasing status (%) |
|---|-------------|-----------------------------------|-----------------|------------------------|-----------------|-------------------------|--------------------|
| 2900 J.-A. Bombardier | Laval | I | Q1-2007 | 104,308 | 6,200 | 10.1 | 91.4 |
| 275 St-Sacrement | Québec City | I | Q4-2007 | 61,853 | 2,200 | 9.6 | 55.9 |
| 1255 des Artisans | Québec City | I | Q4-2007 | 42,427 | 2,100 | 9.5 | 80.1 |
| 579 Godin | Québec City | I | Q4-2007 | 9,720 | 500 | 9.4 | 100.0 |
| Total/weighted average capitalization rate | | | | 218,308 | 11,000 | 9.9 | |

(1) I = Industrial and mixed-use

Ongoing Developments

As at December 31, 2007, Cominar's ongoing development pipeline included three properties totaling \$0.2 million square feet and a \$17.9 million total investment, as detailed in the following table:

| Development | City | Sector of Activity ⁽¹⁾ | Scheduled completion | Leasable area (sq.ft.) | Investment (\$) | Capitalization rate (%) | Leasing status (%) |
|---|----------|-----------------------------------|----------------------|------------------------|-----------------|-------------------------|--------------------|
| 3025 J.-A. Bombardier | Laval | I | Q1-2008 | 78,757 | 5,300 | 9.9 | 38.8 |
| St-Bruno Power Centre (Phase 1 & 2) | St-Bruno | R | Q2-2008 | 110,240 | 12,600 | 9.8 | 20.0 |
| Total/weighted average capitalization rate | | | | 188,997 | 17,900 | 9.8 | |

(1) I = Industrial and mixed-use, R = Retail

Upcoming Developments

Consistent with its growth strategy, Cominar is pursuing its property development activities, which allows it to obtain higher returns than acquisitions in the current real estate market in Quebec.

The economy in the Québec City region is one of the strongest in Canada. The unemployment rate is one of the lowest nationwide, GDP growth is sustained, the

job creation rate is high, business start-up and operating costs are low and the quality of life is excellent. Combined, these factors generate strong economic growth in the region and lead to a shortage of office rental space.

In January 2008, Cominar undertook a large-scale project on Laurier Boulevard in Québec City. One of the largest thoroughfares in Quebec City, located at the exit of the bridges connecting the two shores of the St. Laurence River, Laurier Boulevard

is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property, which will enjoy an enviable geographic location, will have a leasable area of more than 720,000 square feet, of which approximately 100,000 square feet will be used for retail purposes, leaving over 620,000 square feet of office space. The construction cost is estimated at \$110 million and the capitalization rate is estimated at 9.3%.

This project will be completed in two phases. The first will extend over a period of about 18 months, will represent 396,000 square feet and a cost of approximately \$74 million.

In the second quarter of 2008, Cominar also plans to begin the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Boulevard in Québec City. This project consists of the renovation of a leasable area of 65,000 square feet and a 50,000 square-foot expansion, which will bring this shopping centre's total area to approximately 551,000 square feet. The expansion will be used primarily for office space. The total cost of the project is estimated at \$7.9 million, at a 9.3% capitalization rate.

In addition, a two-storey industrial and mixed-use property covering a leasable area of 50,000 square feet will be built on 4th Avenue in Lévis, at a cost of \$2.9 million and a 9.6% capitalization rate. This construction, which will begin in the first quarter of fiscal 2008, represents the first phase of a project involving three industrial properties totaling over 170,000 square feet.

In February 2008, Cominar initiated construction of a 28,600 square-foot industrial and mixed-use property, located in Boucherville in the Montréal region, and representing a \$5.5 million investment. Its capitalization rate is estimated at 9.8%. This property will be fully occupied by a single tenant beginning in the third quarter of fiscal 2008.

Combined, these projects represent an investment of more than \$126 million over the next two years. The average capitalization rate is 9.3%, much higher than returns obtained following acquisitions.

With these development projects, Cominar intends to take advantage of the strong Québec economy, especially in the Québec City region where current demand far exceeds supply.

UPCOMING DEVELOPMENTS

(as at December 31, 2007)

| Development | City | Sector of activity ⁽¹⁾ | Scheduled completion | Leasable area (sq.ft.) | Investment (\$) | Capitalization rate (%) |
|---|--------------|-----------------------------------|----------------------|------------------------|-----------------|-------------------------|
| Laurier Blvd. – Phase 1 | Quebec City | O, R | 2009 | 396,000 | 74,000 | 9.3 |
| Laurier Blvd. – Phase 2 | Quebec City | O, R | 2010 | 324,000 | 36,000 | 9.3 |
| Promenades Beauport | Quebec City | | | | 7,900 | |
| - renovation | | R | 2008 | 65,000 | | 9.3 |
| - expansion project | | O | 2008 | 50,000 | | |
| 4th Avenue – Phase 1 | Lévis | I | 2008 | 50,000 | 2,900 | 9.6 |
| Chemin du Tremblay | Boucherville | I | 2008 | 28,600 | 5,500 | 9.8 |
| Total/weighted average capitalization rate | | | | 913,600 | 126,300 | 9.3 |

(1) I = Industrial and mixed-use, O = Office, R = Retail

Real Estate Operations

The following table presents our operational performance indicators as at December 31, 2007 and 2006:

| As at December 31, | 2007 | 2006 |
|-----------------------|-------|-------|
| Occupancy rate | 94.7% | 94.4% |
| Tenant retention rate | 82.1% | 85.6% |

OCCUPANCY RATE

Cominar consistently strives to maximize occupancy rates throughout its portfolio and has successfully maintained 95.0% average occupancy since its inception. As at December 31, 2007, occupancy stood at 94.7%, compared with 94.4% as at December 31, 2006, an increase of 0.3%.

OCCUPANCY TRACK RECORD

(Operational Performance Indicator)

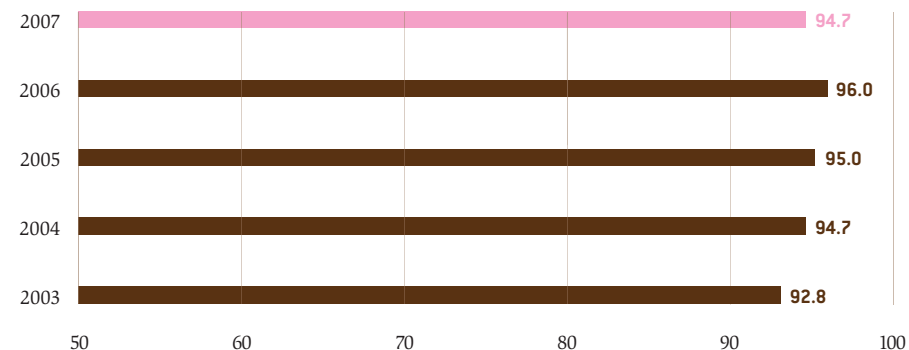
The following table presents occupancy rates by sector of activity over the past five years:

| As at December 31, | 2007 | 2006 | 2005 | 2004 | 2003 |
|--------------------------|------|------|------|------|------|
| Sector of activity (%) | | | | | |
| Office | 94.7 | 96.0 | 95.0 | 94.7 | 92.8 |
| Retail | 96.0 | 94.3 | 93.6 | 94.0 | 95.7 |
| Industrial and mixed-use | 94.4 | 93.7 | 96.2 | 95.2 | 97.3 |
| Total portfolio | 94.7 | 94.4 | 95.3 | 94.8 | 96.0 |

Occupancy is regarded by Cominar's management as a key indicator of customer satisfaction. Customer satisfaction is defined as customer perception and judgment of our ability to meet their needs and expectations. Our average occupancy rate has fluctuated very little over the past five years, remaining at about 95%, attesting to the fact that our efforts have borne fruit.

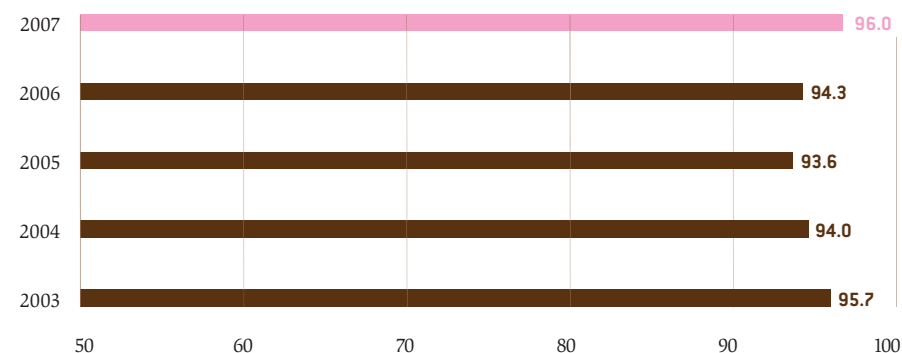
Office. In 2007, the occupancy rate in this sector was down by 1.3% from the record high posted in 2006. We nevertheless consider the 2007 year-end rate satisfactory, since it stood at approximately 93.3% when the Alexis Nihon properties were acquired.

OCCUPANCY RATE - OFFICE (%)



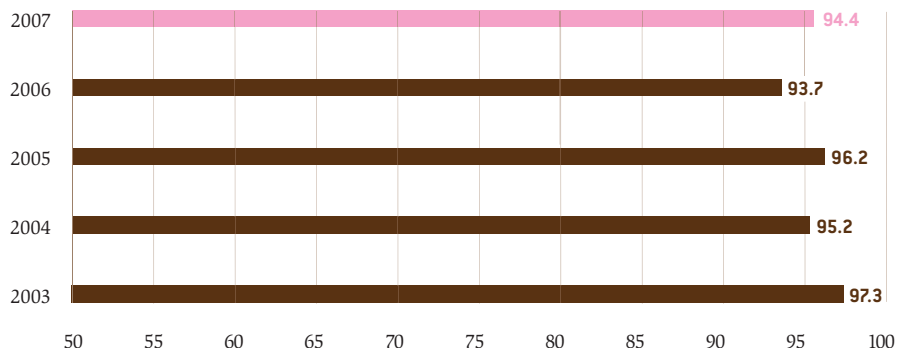
Retail. The occupancy rate in the retail sector grew 1.7% in 2007 to 96.0%: a record high since the inception of the Trust.

OCCUPANCY RATE - RETAIL (%)



Industrial and Mixed-Use. As at December 31, the occupancy rate in the industrial and mixed-use sector was up by 0.7% over the same date in 2006, and by 1.2% over the occupancy rate as at June 30, 2007, just after we took possession the Alexis Nihon properties. Cominar's management attributes these results to the efforts of its leasing team, favourable market conditions and our operational strategy.

OCCUPANCY RATE - INDUSTRIAL & MIXED-USE (%)



LEASING ACTIVITY

The following table contains a summary of Cominar's leasing activity in 2007:

LEASE EXPIRIES AND RENEWALS BY SECTOR

| | Office | Retail | Industrial and mixed-use | Total |
|------------------------------|---------|---------|--------------------------|-----------|
| Expiring leases/2007 | | | | |
| Number of customers | 158 | 126 | 189 | 473 |
| Leasable area (sq.ft.) | 558,364 | 284,456 | 1,476,439 | 2,319,259 |
| Average net rent/sq.ft. (\$) | 9.42 | 9.77 | 5.29 | 6.83 |
| Renewed leases | | | | |
| Number of customers | 107 | 85 | 126 | 318 |
| Leasable area (sq.ft.) | 400,359 | 270,699 | 1,233,019 | 1,904,077 |
| Average net rent/sq.ft. (\$) | 9.75 | 10.67 | 5.66 | 7.23 |
| % renewal | 71.7% | 95.2% | 83.5% | 82.1% |
| New leases | | | | |
| Number of customers | 46 | 45 | 71 | 162 |
| Leasable area (sq.ft.) | 192,112 | 87,626 | 507,950 | 787,688 |
| Average net rent/sq.ft. (\$) | 10.75 | 9.97 | 5.52 | 7.29 |

As indicated in the above table, leasing activity remained strong across our portfolio in 2007, especially in the retail sector where 95.2% of expiring leases were renewed. Our leasing team stepped up its efforts to renew an aggregate 82.1% of leases expiring in 2007, thereby achieving a highly satisfactory performance. We also signed new leases representing 0.8 million square feet of leasable area. Our renewal rates are up in all three sectors of activity, with increases of 2.7%, 9.7% and 4.8% respectively for the office, retail and industrial sectors.

RETENTION TRACK RECORD

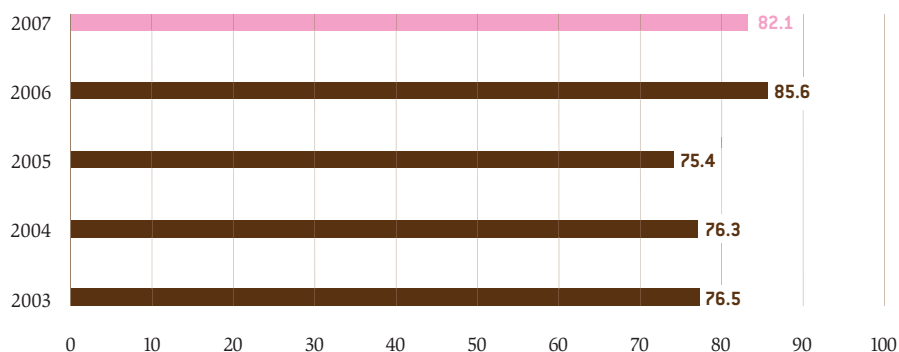
(Operational Performance Indicator)

The following table presents our retention rates over the past five years:

| For the years ended December 31, | 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------------------|------|------|------|------|------|
| Retention rate (%) | 82.1 | 85.6 | 75.4 | 76.3 | 76.5 |

Cominar considers retention rate a second indicator of customer satisfaction with the services received. We are very proud of the fact that our retention rate has remained above 75.0% in each of the past eight years.

RETENTION RATE (%)



The following table details our lease maturity profile for the next five years:

LEASE MATURITY

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|
| Office | | | | | |
| Leasable area (sq.ft.) | 660,214 | 429,987 | 537,744 | 320,337 | 734,581 |
| Lease rate/square foot (\$) | 9.86 | 11.20 | 9.37 | 10.06 | 10.58 |
| % of office portfolio | 13.8 | 9.0 | 11.2 | 6.7 | 15.3 |
| Retail | | | | | |
| Leasable area (sq.ft.) | 351,598 | 237,639 | 240,960 | 322,066 | 362,708 |
| Lease rate/square foot (\$) | 8.21 | 11.66 | 11.70 | 10.38 | 11.11 |
| % of retail portfolio | 13.3 | 9.0 | 9.1 | 12.2 | 13.7 |
| Industrial and mixed-use | | | | | |
| Leasable area (sq.ft.) | 1,602,096 | 1,204,845 | 1,396,690 | 1,005,133 | 1,134,745 |
| Lease rate/square foot (\$) | 5.59 | 5.47 | 5.45 | 5.93 | 6.54 |
| % of industrial and mixed-use portfolio | 16.7 | 12.6 | 14.6 | 10.5 | 11.8 |
| Portfolio total | | | | | |
| Leasable area (sq.ft.) | 2,613,908 | 1,872,471 | 2,175,394 | 1,647,536 | 2,232,034 |
| Lease rate/square foot (\$) | 7.02 | 7.57 | 7.11 | 7.61 | 8.61 |
| % of portfolio | 15.4 | 11.0 | 12.8 | 9.7 | 13.1 |

15.4% of our leases are up for renewal in 2008, representing 2.6 million square feet of leasable area. As of March 13, 2008, we have successfully renewed, at higher rents, 22.7% of the leases expiring in 2008, covering 0.6 million square feet of leasable area. Based on our solid renewal track record and the demand for rental properties in our two main geographic markets, we remain confident that we will be able to renew a significant proportion of expiring leases at higher rents per square foot.

The following table summarizes average lease term information as at December 31, 2007:

| | Average remaining lease term (years) | Average customer size (sq.ft.) | Average in-place net rent / sq.ft. (\$) |
|--------------------------|--------------------------------------|--------------------------------|---|
| Office | 4.8 | 5,300 | 10.56 |
| Retail | 5.3 | 3,400 | 10.47 |
| Industrial and mixed-use | 3.8 | 11,200 | 5.59 |
| Portfolio average | 4.3 | 7,000 | 7.81 |

We have approximately 2,300 customers, occupying on average 7,000 square feet of space. Our broad customer base is highly diversified. Our three largest customers, Société immobilière du Québec, a Québec government corporation, Ericsson Canada and Public Works Canada, account respectively for approximately 5.66%, 2.95% and 6.81% of our revenues. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 14.3% stems from government agencies.

The table below presents the percentage contribution to revenue of our ten largest customers:

| Customer | % of revenues | Leased space (sq.ft.) |
|---------------------------------|---------------|-----------------------|
| Public Works Canada | 6.81 | 722,284 |
| Société immobilière du Québec | 5.66 | 982,639 |
| Ericsson Canada Inc. | 2.95 | 175,060 |
| LDC Logistics Development Corp. | 1.74 | 527,000 |
| Hudsons Bay Company | 1.45 | 349,312 |
| National Bank of Canada | 1.23 | 145,094 |
| City of Montréal | 1.13 | 116,226 |
| Metro Richelieu Inc. | 1.02 | 287,970 |
| Wal-Mart Canada Inc. | 0.88 | 129,638 |
| Alcan Packaging Canada Ltd. | 0.85 | 162,000 |
| Total | 23.72 | 3,597,223 |

Issued and Outstanding Unit Data

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

ISSUED UNITS

On June 5, 2007, Cominar issued 7,113,000 units for aggregate net proceeds of \$164.1 million on the exchange of subscription receipts issued pursuant to the prospectus dated April 27, 2007. This exchange was conditional on the acquisition of the Alexis Nihon portfolio's office and industrial and mixed-use properties.

The following table presents unit issues during fiscal 2007 and 2006:

| For the years ended December 31, | 2007 Units | 2007 \$ | 2006 Units | 2006 \$ |
|---|---------------|------------|---------------|------------|
| Units issued and outstanding, beginning of year | 36,600,361 | 400,698 | 32,940,735 | 338,230 |
| + Units issued under public offering | 7,113,000 | 164,149 | — | — |
| + Units issued on the exercise of options | 367,600 | 5,305 | 470,450 | 6,668 |
| + Units issued under the distribution reinvestment plan | 92,777 | 1,795 | 68,744 | 1,372 |
| + Units issued on the conversion of convertible debentures | 1,098,945 | 19,122 | 3,120,432 | 54,296 |
| + Reversal of contributed surplus on the exercise of options | — | 103 | — | 132 |
| Units issued and outstanding, end of year | 45,272,683 | 591,172 | 36,600,361 | 400,698 |

UNIT OPTION PLAN

Cominar has granted options to trustees, officers and employees for the purchase of units under a unit option plan. A maximum of 3,319,210 units may be issued under the plan. As at December 31, 2007, options for the purchase of 1,782,000 units were outstanding and 886,410 options could be granted under the plan.

| For the years ended December 31, | 2007 Options | 2007 Price \$ | 2006 Options | 2006 Price \$ |
|----------------------------------|-----------------|------------------|-----------------|------------------|
| Outstanding, beginning of year | 2,170,600 | 15.50 | 2,354,050 | 14.29 |
| Exercised | (367,600) | 14.58 | (470,450) | 14.21 |
| Granted | 60,000 | 23.59 | 670,000 | 18.90 |
| Cancelled | (81,000) | 18.16 | (383,000) | 15.61 |
| Outstanding, end of year | 1,782,000 | 15.84 | 2,170,600 | 15.50 |
| Options exercisable, end of year | 785,000 | 14.62 | 497,600 | 13.96 |

CONVERTIBLE DEBENTURES

The following table presents the balances of convertible debentures and the eventual number of units that can be issued on their conversion:

| As at December 31, | 2007 Balance (\$) | 2007 Conversion price per unit(\$) | 2007 Units (\$) | 2006 Balance | 2006 Conversion price per unit(\$) | 2006 Units |
|--------------------|-------------------------|--|-----------------------|-----------------|--|---------------|
| Series A | 24,117 | 17.40 | 1,386,034 | 43,239 | 17.40 | 2,485,000 |
| Series B | 80,500 | 27.50 | 2,927,273 | — | — | — |
| Series C | 110,000 | 25.25 | 4,356,436 | — | — | — |
| Total | 214,617 | | 8,669,743 | 43,239 | | 2,485,000 |

The possible issue of units pursuant to the convertible debentures has an anti-dilutive effect on the calculation of diluted net income per unit.

PER UNIT CALCULATIONS

The following table presents a reconciliation between the weighted average number of basic units outstanding, the weighted average number of diluted units outstanding and the weighted average number of fully diluted units outstanding, used for calculations per unit:

| For the years ended December 31, | 2007 | 2006 |
|--|------------|------------|
| Weighted average number of units outstanding, basic | 41,592,324 | 34,364,768 |
| Dilution related to unit options | 575,158 | 513,154 |
| Weighted average number of units outstanding, diluted | 42,167,482 | 34,877,922 |
| Dilution related to the conversion of convertible debentures | 4,617,690 | 4,179,184 |
| Weighted average number of units outstanding, fully diluted | 46,785,172 | 39,057,106 |

Related-Party Transactions

Michel Dallaire, Alain Dallaire and Michel Paquet, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During fiscal 2007, Cominar posted net rental income of \$1.0 million from Dalcon and CFA. The Trust incurred \$9.1 million in expenses for leasehold improvements performed by Dalcon on its behalf and \$11.6 million for the construction and development of income properties. Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve significant cost savings while providing better service to its customers.

Selected Quarterly Information

The following table presents, in summary form, Cominar's quarterly financial information for fiscal 2007 and 2006:

| For the quarters ended | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | March 31, 2007 | Dec. 31, 2006 | Sept. 30, 2006 | June 30, 2006 | March 31, 2006 |
|--|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| Operating revenues ⁽¹⁾ | 53,300 | 53,077 | 41,476 | 34,271 | 32,258 | 31,042 | 31,946 | 31,504 |
| Operating expenses ⁽¹⁾ | 20,918 | 19,590 | 16,726 | 15,119 | 11,887 | 11,338 | 12,626 | 13,848 |
| Net operating income ⁽¹⁾ | 32,382 | 33,487 | 24,750 | 19,152 | 20,371 | 19,704 | 19,320 | 17,656 |
| Net income | 6,359 | 6,868 | 8,690 | 7,324 | 10,447 | 9,100 | 8,364 | 6,164 |
| Net income per unit (basic) | 0.14 | 0.15 | 0.22 | 0.20 | 0.30 | 0.26 | 0.25 | 0.19 |
| Net income per unit (diluted) | 0.14 | 0.15 | 0.22 | 0.20 | 0.30 | 0.26 | 0.25 | 0.18 |
| DI | 17,886 | 18,307 | 15,436 | 11,608 | 13,394 | 12,919 | 12,030 | 9,718 |
| DI per unit (fully diluted) | 0.39 | 0.40 | 0.38 | 0.31 | 0.36 | 0.36 | 0.34 | 0.29 |
| Funds from operations | 20,248 | 20,830 | 17,644 | 13,616 | 15,338 | 14,778 | 13,923 | 11,616 |
| Funds from operations per unit (fully diluted) | 0.43 | 0.45 | 0.43 | 0.36 | 0.41 | 0.41 | 0.39 | 0.34 |
| Distributions | 16,230 | 14,640 | 13,206 | 11,378 | 11,655 | 10,744 | 10,305 | 10,020 |
| Distributions per unit | 0.358 | 0.325 | 0.312 | 0.306 | 0.316 | 0.306 | 0.306 | 0.302 |

(1) Certain amounts for fiscal 2006 and 2007 have been reclassified as "discontinued operations" in conformity with GAAP.

Over the past two years, Cominar has steadily improved its operating revenues, distributable income and funds from operations through new acquisitions and new developments, higher average rents and relatively stable occupancy rates. Historical

trends show that first-quarter performance tends to be weaker due to increased energy consumption and snow removal over the winter months.

Fourth Quarter 2007 Results

The following table compares results for the fourth quarter of 2007 with those for the corresponding period of 2006:

| For the quarters ended December 31, | 2007 | 2006 | Δ\$ |
|---|--------------|---------------|----------------|
| Operating revenues ⁽¹⁾ | 53,300 | 32,258 | 21,042 |
| Operating expenses ⁽¹⁾ | 20,918 | 11,887 | 9,031 |
| Net operating income ⁽¹⁾ | 32,382 | 20,371 | 12,011 |
| Interest on borrowings | 11,418 | 5,074 | 6,344 |
| Depreciation of income properties | 12,104 | 3,934 | 8,170 |
| Amortization of deferred leasing costs | 1,785 | 1,538 | 247 |
| Amortization of deferred financing costs and other assets | 35 | 49 | (14) |
| Trust administrative expenses | 767 | 502 | 265 |
| Other revenues | 86 | 288 | (202) |
| Net income from continuing operations | 6,359 | 9,562 | (3,203) |
| Net income from discontinued operations | — | 885 | (885) |
| Net income | 6,359 | 10,447 | (4,088) |
| Per unit information: | | | Δ% |
| Net income per unit (basic) | 0.14 | 0.29 | (0.15) (51.7) |
| Net income per unit (diluted) | 0.14 | 0.28 | (0.14) (50.0) |

(1) Certain amounts for fiscal 2006 and 2007 have been reclassified as “discontinued operations” in conformity with GAAP.

For the fourth quarter ended December 31, 2007, operating revenues grew 65.2%, thereby contributing significantly to the 59.0% increase in fourth-quarter NOI. As a result of the greater depreciation expense attributable to new acquisitions and developments completed, as described in further detail under “Depreciation of Income Properties” on page 28 of this Annual Report, net income posted a \$4.1 million decline for the fourth quarter.

DISTRIBUTABLE INCOME

Distributable income for the fourth quarter was as follows:

| For the quarters ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------------|--------|----------|
| Net income (GAAP) | 6,359 | 10,447 | (4,088) |
| + Depreciation of income properties | 12,104 | 4,188 | 7,916 |
| + Amortization of (below-market)/above-market leases | (72) | 30 | (102) |
| + Compensation costs related to unit option plan | 48 | 34 | 14 |
| + Accretion on liability component of convertible debentures | 9 | — | 9 |
| - Deferred leasing costs | (510) | (470) | (40) |
| - Gain on sale of real estate assets | — | (835) | 835 |
| - Amortization of fair value adjustments on assumed mortgages payable | (52) | — | (52) |
| DI | 17,886 | 13,394 | 4,492 |
| DISTRIBUTIONS TO UNITHOLDERS | 16,230 | 11,655 | 4,575 |
| Per unit information: | | | Δ% |
| DI per unit (basic) | 0.40 | 0.37 | 0.03 8.1 |
| DI per unit (fully diluted) | 0.39 | 0.36 | 0.03 8.3 |
| Weighted average number of units outstanding (basic) | 45,198 | 36,339 | |
| Weighted average number of units outstanding (fully diluted) | 53,853 | 39,559 | |
| DISTRIBUTIONS PER UNIT | 0.358 | 0.316 | 0.042 |

The following table presents a reconciliation between funds from operations and distributable income for the quarters ended December 31, 2007 and 2006:

| For the quarters ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------------|---------|---------|
| Cash flows from operating activities (GAAP) | 25,025 | 18,304 | 6,721 |
| - Deferred leasing costs | (510) | (470) | (40) |
| - Amortization of deferred leasing costs | (1,785) | (1,538) | (247) |
| - Amortization of deferred financing costs and other assets | (329) | (193) | (136) |
| - Change in non-cash operating working capital items | (4,515) | (2,709) | (1,806) |
| DI | 17,886 | 13,394 | 4,492 |

FUNDS FROM OPERATIONS

Funds from operations for the fourth quarter were as follows:

| For the quarters ended December 31, | 2007 | 2006 | Δ\$ |
|--|---------------|--------|----------|
| Net income (GAAP) | 6,359 | 10,447 | (4,088) |
| + Depreciation of income properties | 12,104 | 4,188 | 7,916 |
| + Amortization of deferred leasing costs | 1,785 | 1,538 | 247 |
| - Gain on sale of real estate assets | — | (835) | 835 |
| FFO | 20,248 | 15,338 | 4,910 |
| Per unit information: | | | Δ% |
| FFO per unit (basic) | 0.45 | 0.42 | 0.03 7.1 |
| FFO per unit (diluted) | 0.43 | 0.41 | 0.02 4.9 |

As indicated in the above table, funds from operations for the fourth quarter of 2007 increased by \$4.9 million over the fourth quarter of 2006 as a result of acquisitions and developments completed during fiscal 2007.

ADJUSTED FUNDS FROM OPERATIONS

The following table presents a reconciliation of funds from operations and adjusted funds from operations based on the sector's standard definition for the quarters ended December 31, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

| For the quarters ended December 31, | 2007 | 2006 | Δ\$ |
|---|---------------|---------|-----------|
| FFO | 20,248 | 15,338 | 4,910 |
| + Amortization of deferred financing costs and other assets | 295 | 356 | (61) |
| + Compensation expense related to unit options | 48 | 34 | 14 |
| + Accretion of liability component of convertible debentures | 9 | — | 9 |
| - Deferred leasing costs | (510) | (469) | (41) |
| - Amortization of (below-market)/above-market leases | (72) | 30 | (102) |
| - Deferred financing costs | 126 | (83) | 209 |
| - Amortization of fair value adjustments on assumed mortgages payable | (52) | — | (52) |
| - Non-recoverable capital expenditures | (108) | (504) | 396 |
| - Leasing costs | (2,575) | (2,227) | (348) |
| AFFO | 17,409 | 12,475 | 4,934 |
| Per unit information: | | | Δ% |
| AFFO per unit (basic) | 0.39 | 0.34 | 0.05 14.7 |
| AFFO per unit (fully diluted) | 0.38 | 0.33 | 0.05 15.2 |

Subsequent Events

In February 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montréal that were previously co-owned. As a result of this acquisition transaction, Cominar is now the sole owner of these income properties. The purchase price amounted to \$18.3 million and the combined capitalization rate, including Cominar's initial interest acquired in 2007, is estimated at 6.8%.

In February 2008, Cominar acquired land covering an area of 212,000 square feet, on which will be built a 28,600 square-foot industrial and mixed-use property. This property will be 100% occupied by a single tenant.

Unitholder Taxation

For Canadian unitholders, distributions are treated as follows for tax purposes:

| For the years ended December 31, | 2007 | 2006 |
|--|----------------|----------------|
| Taxable to unitholders as other income | 45.03% | 59.50% |
| Taxable to unitholders as capital gains income | 0.39% | 0.36% |
| Tax deferral | 54.58% | 40.14% |
| Total | 100.00% | 100.00% |

Disclosure Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

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, as defined under Multilateral Instrument 52-109 of the Canadian Securities Administrators. They are assisted in this responsibility by the Disclosure Committee, which consists of officers of the Trust.

Under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, an assessment was conducted to measure the effectiveness of the disclosure controls and procedures used for the preparation of filings, including this MD&A, the consolidated annual financial statements, the Annual Information Form and the Management Proxy Circular. Based on that assessment, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the disclosure controls and procedures were effective at the close of the fiscal year ended December 31, 2007 and, more specifically, that the design of these controls and procedures provides reasonable assurance that significant information about the Trust, including its consolidated subsidiaries, is communicated to them during the period in which these filings are prepared.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the fiscal year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Outlook

Cominar's objectives for fiscal 2008 remain unchanged, specifically to provide unitholders with growing distributions and to maximize unit value through proactive management and expansion of our property portfolio.

In December 2007, Cominar announced an increase in our monthly distribution, raising it from 11.0 cents to 11.3 cents per unit, or \$1.356 per unit on an annualized basis for fiscal 2008, which represents a 4.2% increase over 2007.

The demand for high-quality retail properties remains strong in Cominar's markets. In 2008, the Trust will continue to establish our presence in selected markets by seeking and seizing acquisition opportunities that match our rigorous selection criteria. We will also carry out several development and existing property enhancement projects, which should yield a solid return on investment.

Cominar has a portfolio of high-quality properties located in strategic locations, providing it with an excellent base to continue delivering a growing return on investment to unitholders. As for the properties acquired in 2007, we are striving to control costs and achieve operational efficiencies. Our property occupancy rates are high and stable and the demand for retail space remains strong in the regions in which we operate.

Significant Accounting Policies Adopted by Cominar and Use of Estimates

Our MD&A is based upon Cominar's consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation and presentation of the consolidated financial statements and any other financial information contained in the MD&A involves a judicious choice of appropriate accounting principles and methods whose application requires 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 regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other methods of estimation might have yielded different amounts than those presented. Actual results could differ from these estimates.

ACQUISITION OF INCOME PROPERTIES

Since September 12, 2003, Cominar has applied the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships and to the fair value of leasehold improvements. This allocation is based on assumptions and estimates made by management.

These estimates have an impact on operating revenues and on depreciation of income properties.

DEPRECIATION OF INCOME PROPERTIES

When income properties are acquired, management allocates a significant proportion of the acquisition cost to the "building" component. Management must then estimate the useful life of the building in order to depreciate it on an annual basis. Should the allocation of cost to the "building" component or estimated useful life be different, the depreciation of income properties recorded during the period could prove inadequate.

PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

IMPAIRMENT OF LONG-LIVED ASSETS

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

CONVERTIBLE DEBENTURES

The CICA requires that Cominar's management estimate at its fair value the conversion option included in the convertible debentures. This estimate, if it were inadequate, would have an impact on the interest expense for the period presented in the financial statements.

UNIT OPTION PLAN

The compensation expense related to unit options is measured at fair value and amortized using the graded vesting method based on the Black-Scholes option pricing model. This model requires the input of various estimates, including volatility, weighted average distribution return and weighted average risk-free interest rate.

FINANCIAL INSTRUMENTS

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments must initially be measured at their fair value. The subsequent evaluation will depend on the classification by Cominar of the financial instrument as financial assets held for trading, loans and receivables, or other financial liabilities.

Cominar must also estimate and annually disclose the fair value of mortgages payable and convertible debentures for reporting purposes. The estimated fair value of the debts is based on assumptions as to the interest rates used in the calculation models.

Recently Published Accounting Changes

HARMONIZATION OF CANADIAN AND INTERNATIONAL STANDARDS

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies. We will closely monitor changes arising from this convergence in order to comply therewith by the prescribed deadline.

In the fourth quarter of 2007, the CICA issued three new Handbook sections regarding capital and financial instruments, i.e. Sections 1535, 3862 and 3863, which are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Trust does not foresee that these new sections will have a material effect on its results, financial position and cash flows.

Section 1535 “Capital Disclosures” establishes standards for disclosing information about an entity’s capital and how it is managed.

Section 3862 “Financial Instruments – Disclosure” modifies the disclosure requirements for financial instruments that were included in Section 3861 “Financial Instruments – Disclosure and Presentation”.

Section 3863 “Financial Instruments – Presentation” carries forward unchanged the presentation requirements of the old Section 3861 “Financial Instruments – Disclosure and Presentation”.

New Accounting Policies Adopted in 2007

In the first quarter of 2007, the Trust adopted the following new accounting standards issued by the CICA:

Section 1530, “Comprehensive Income”, requires that the presentation of comprehensive income and its components should be given the same importance in the consolidated financial statements as all other statements which form part of the consolidated financial statements. Comprehensive income represents changes in net assets of an enterprise derived from operations, events, and circumstances unrelated to unitholder contributions and the distributions made to them.

Section 3855, “Financial Instruments — Recognition and Measurement”, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These financial instruments must be classified in defined categories. The classification determines the manner in which each instrument is evaluated and the presentation of related gains and losses. Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deducted from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities.

Risks and Uncertainties

Like any real estate entity, Cominar is exposed to certain risk factors in the normal course of business including:

GENERAL BUSINESS AND ECONOMIC CONDITIONS

Interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation: each impact the business and economic environments in which we operate and, ultimately, the level of business activity we conduct and the earnings we generate.

EXECUTION OF OUR STRATEGY

Our ability to achieve our objectives and implement our strategy impacts our financial performance. If our strategic objectives are not met with success or there is a change in our strategic objectives, our financial results could be adversely affected.

ACQUISITIONS

Although we regularly explore opportunities for strategic acquisitions of entities in our lines of business, there is no assurance that we will be able to complete acquisitions on terms and conditions that meet our investment criteria. There is also no assurance that we will achieve our financial or strategic objectives or that we will achieve anticipated cost savings following acquisitions. Our performance is contingent on retaining the customers and key employees of acquired entities, and there is no assurance that we will always succeed in doing so.

OPERATIONAL RISK

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

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. Our income and DI would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of Cominar's portfolio, which allows us to maintain foreseeable cash flow. This risk is also mitigated by the fact that tenants occupy an average area of about 7,000 square feet.

As a fully integrated real estate investment trust, Cominar can also exercise tighter preventive control over its operations while developing a relationship of trust with its customers and improving its operational and financial performance.

DEBT AND REFINANCING

The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. The Trust's profitability may be impacted by interest rate changes, as interest on borrowings represents a significant cost in the ownership of real estate

investments. Cominar seeks to reduce interest rate risks by spreading the maturity of its long-term debt and limiting the use of floating rate debt as much as possible. As at December 31, 2007, none of Cominar's long-term debt bore interest at floating interest rates.

In 2008, balances of mortgages payable totalling \$132.1 million will become due, of which \$81.3 million relate to the Place de la Cité property in Québec City, one of Cominar's most prestigious properties.

As at March 13, 2008, Cominar repaid \$50.8 million in balances of mortgages payable using its available credit facilities.

UNITHOLDER LIABILITY

Under the heading "Operating Principles", the Contract of Trust states that any written document identifying an immovable hypothec or, in the opinion of the trustees, a material obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

COMPETITION

The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those it desires. An increase in the availability of investment funds and interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

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

GOVERNMENT REGULATION

The Trust and its properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to the Trust and its properties could affect its financial results.

By their very nature, Cominar's assets and business are not subject to a high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, Cominar must conduct an environmental audit before acquiring a new property. Environmental audits are conducted on its existing properties when deemed appropriate. In its leases, Cominar requires that tenants conduct their business in compliance with environmental legislation, and that they be held responsible for any damage resulting from their use of the leased premises.

INCOME TAXES

Cominar currently qualifies as a mutual fund trust for income tax purposes. We are required by our Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such amount. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and the investments held by us. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

NEW TAX PLAN

In connection with its tax fairness plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring the taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as of October 31, 2006 whose future growth will not exceed normal growth benefit from a four-year transitional period before the new rules apply.

REIT EXCEPTION

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REITs") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "non-portfolio properties" it owns during the year are "qualified REIT properties", (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties"; interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable properties situated in Canada and capital gains from dispositions of real or immovable properties situated in Canada and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As of December 31, 2007, Cominar met all of these conditions and qualified as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

CONSTRUCTION RISK

Due to the Trust's involvement in development and construction activities, it is subject to related risks such as construction cost overruns and other unforeseeable delays. Such risks are minimized by the fact that major projects are done in phases, which allows it to better assess the demand for a project in particular.

ABILITY TO ATTRACT AND RETAIN KEY EMPLOYEES

Competition for qualified employees and executives is intense. If we are unable to retain and attract qualified employees and executives, our results of operations and financial condition, including our competitive position, may be materially adversely affected.

Selected Financial Information

The following table presents a summary of selected financial information for the fiscal years indicated below:

| For the years ended December 31, | 2007 | 2006 | 2005 |
|---|-----------|---------|---------|
| Income Statement Data | | | |
| Operating revenues | 182,124 | 126,750 | 121,561 |
| Net operating income | 109,771 | 77,051 | 73,644 |
| Net income | 29,241 | 34,075 | 31,327 |
| DI | 63,237 | 48,061 | 44,749 |
| Distributions | 55,454 | 42,724 | 39,549 |
| Per unit information: | | | |
| Net income (basic) | 0.70 | 0.99 | 0.96 |
| Net income (diluted) | 0.69 | 0.98 | 0.95 |
| DI | 1.52 | 1.40 | 1.37 |
| DI (fully diluted) | 1.49 | 1.35 | 1.31 |
| Distributions | 1.301 | 1.230 | 1.210 |
| Weighted average number of units (basic) (000's) | 41,592 | 34,365 | 32,585 |
| Weighted average number of units (fully diluted) (000's) | 46,785 | 39,058 | 38,795 |
| Balance Sheet Data | | | |
| Income properties | 1,323,095 | 711,441 | 658,855 |
| Properties under development and land held for future development | 61,280 | 24,232 | 22,020 |
| Total assets | 1,442,794 | 786,455 | 725,582 |
| Mortgages payable | 619,755 | 270,142 | 253,581 |
| Convertible debentures | 203,852 | 39,984 | 97,535 |
| Bank indebtedness | 35,321 | 73,616 | 25,811 |

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Financial information appearing throughout our MD&A is consistent with these consolidated financial statements.

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

As at December 31, 2007, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and

procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

Ernst & Young LLP, Independent Chartered Accountants appointed by the unit-holders of Cominar upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.



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



Michel Berthelot, CA
Executive Vice President
and Chief Financial Officer

Quebec City, March 13, 2008

Auditors' Report

*To the unitholders of
Cominar Real Estate Investment Trust,*

We have audited the consolidated balance sheets of Cominar Real Estate Investment Trust as at December 31, 2007 and 2006 and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Quebec City, Canada
February 7, 2008
[except as to note 24 which is as of February 29, 2008]

Consolidated Balance Sheets

As at December 31,
[in thousands of dollars]

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
| ASSETS | | |
| Income properties <i>[note 4]</i> | | |
| Buildings | 1,073,830 | 604,628 |
| Land | 174,657 | 97,988 |
| Intangible assets | 74,608 | 8,825 |
| | 1,323,095 | 711,441 |
| Properties under development <i>[note 5]</i> | 31,401 | 16,628 |
| Land held for future development <i>[note 5]</i> | 29,879 | 7,604 |
| Deferred expenses and other assets <i>[note 6]</i> | 34,920 | 28,057 |
| Prepaid expenses | 3,839 | 2,654 |
| Accounts receivable <i>[note 7]</i> | 19,660 | 20,071 |
| | 1,442,794 | 786,455 |
| LIABILITIES | | |
| Mortgages payable <i>[note 8]</i> | 619,755 | 270,142 |
| Convertible debentures <i>[note 9]</i> | 203,852 | 39,984 |
| Bank indebtedness <i>[note 10]</i> | 35,321 | 73,616 |
| Accounts payable and accrued liabilities | 35,924 | 21,606 |
| Distributions payable to unitholders | 6,246 | 4,099 |
| | 901,098 | 409,447 |
| UNITHOLDERS' EQUITY | | |
| Unitholders' equity | 541,696 | 377,008 |
| | 1,442,794 | 786,455 |

See accompanying notes to consolidated financial statements

Approved by the Board



Michel Dallaire, Trustee



Robert Després, Trustee

Consolidated Statements of Unitholders' Equity

Years ended December 31,
[in thousands of dollars]

| | 2007 \$ | 2006 \$ |
|--|----------------|----------------|
| Unitholders' contributions <i>[note 11]</i> | | |
| Balance, beginning of year | 400,698 | 338,230 |
| Issue of units | 196,378 | 62,468 |
| Underwriters' fees and offering | (5,904) | — |
| Balance, end of year | 591,172 | 400,698 |
| Cumulative net income | | |
| Balance, beginning of year | 218,538 | 184,463 |
| Net income | 29,241 | 34,075 |
| Balance, end of year | 247,779 | 218,538 |
| Cumulative distributions | | |
| Balance, beginning of year | (242,626) | (199,902) |
| Distributions to unitholders | (55,454) | (42,724) |
| Balance, end of year | (298,080) | (242,626) |
| Contributed surplus | | |
| Balance, beginning of year | 398 | 351 |
| Unit option plan | 115 | 47 |
| Balance, end of year | 513 | 398 |
| Other equity component | | |
| Convertible debentures equity component | 312 | — |
| Unitholders' equity | 541,696 | 377,008 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Income and Comprehensive Income

Years ended December 31,
[in thousands of dollars except per-unit amounts]

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
| Operating revenues | | |
| Rental revenue from income properties | 182,124 | 126,750 |
| Operating expenses | | |
| Operating costs | 35,126 | 24,579 |
| Realty taxes and services | 35,470 | 24,123 |
| Property management expenses | 1,757 | 997 |
| | 72,353 | 49,699 |
| Operating income before the undernoted | 109,771 | 77,051 |
| Interest on borrowings | 35,711 | 20,712 |
| Depreciation of income properties | 35,514 | 15,261 |
| Amortization of deferred leasing costs | 6,965 | 6,139 |
| Amortization of other assets | 196 | 177 |
| | 78,386 | 42,289 |
| Operating income from real estate assets | 31,385 | 34,762 |
| Trust administrative expenses | 2,968 | 2,130 |
| Other revenues | 394 | 489 |
| Unusual items [note 21] | 422 | (554) |
| Net income from continuing operations | 29,233 | 32,567 |
| Net income from discontinued operations [note 20] | 8 | 1,508 |
| Net income and comprehensive income | 29,241 | 34,075 |
| Basic net income per unit [note 13] | 0.703 | 0.992 |
| Diluted net income per unit [note 13] | 0.693 | 0.977 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years ended December 31,
[in thousands of dollars]

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
| OPERATING ACTIVITIES | | |
| Net income | 29,241 | 34,075 |
| Items not affecting cash | | |
| Depreciation of income properties | 36,132 | 16,276 |
| Amortization of above- (below-) market leases | (250) | 120 |
| Amortization of deferred leasing costs | 6,965 | 6,139 |
| Amortization of deferred financing costs and other assets | 930 | 728 |
| Amortization of fair value adjustments on assumed indebtedness | (52) | — |
| Accretion of liability component of convertible debentures | 9 | — |
| Compensation costs related to unit option plan | 217 | 179 |
| Gain on disposals of income properties | — | (835) |
| | 73,192 | 56,682 |
| Change in non-cash operating working capital items <i>[note 16]</i> | 10,255 | (5,269) |
| | 83,447 | 51,413 |
| INVESTING ACTIVITIES | | |
| Acquisitions of income properties: | | |
| - from Alexis Nihon REIT property portfolio <i>[note 4]</i> | (365,330) | — |
| - other acquisitions | (53,052) | (59,260) |
| Additions to properties under development and land held for future development | (47,863) | (15,122) |
| Net proceeds on disposal of income properties <i>[note 22]</i> | 30,000 | 393 |
| Leasing costs | (9,746) | (7,479) |
| Other assets | (322) | (225) |
| | (446,313) | (81,693) |
| FINANCING ACTIVITIES | | |
| Mortgages payable | 167,987 | 59,267 |
| Repayments of mortgages payable | (67,389) | (42,584) |
| Net proceeds from issue of convertible debentures <i>[note 9]</i> | 182,720 | — |
| Bank indebtedness | (38,394) | 47,805 |
| Net proceeds from issue of units <i>[note 11]</i> | 169,454 | 6,668 |
| Distributions to unitholders | (51,512) | (40,876) |
| | 362,866 | 30,280 |
| Net change in cash and cash equivalents | — | — |
| Cash and cash equivalents, beginning of year | — | — |
| Cash and cash equivalents, end of year | — | — |

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

[in thousands of dollars except per-unit amounts]

1. DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust (“Cominar”) is an unincorporated closed-end real estate investment trust created by the Contract of Trust on March 31, 1998 under the laws of the Province of Québec.

2. NEW ACCOUNTING POLICIES

ADOPTED IN 2007

In the first quarter of 2007, Cominar adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, “Comprehensive Income”, requires that the presentation of comprehensive income and its components should be given the same importance in the consolidated financial statements as all other statements which form part of the consolidated financial statements. Comprehensive income represents the changes in net assets of an enterprise derived from operations, events, and circumstances unrelated to the unitholders’ contributions and the distributions made to them.

Section 3855, “Financial Instruments – Recognition and Measurement”, establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These financial instruments must be classified in defined categories. The classification determines the manner in which each instrument is evaluated and the presentation of related gains and losses.

Cominar used the following classifications:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. They are measured at their fair value and the gains/losses resulting from the period-end revaluations are recorded in net income.
- Accounts receivable, including loans to certain customers, are classified as “Loans and Receivables”. They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

- Mortgages payable, convertible debentures, bank indebtedness, accounts payable and accrued liabilities, and distributions payable to unitholders are classified as “Other Financial Liabilities”. They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities must be recognized as an adjustment to the opening balance of cumulative net income or accumulated other comprehensive income, depending on the classification of existing financial assets and liabilities. The application of these new standards had no effect on Cominar’s consolidated financial statements.

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deducted from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities.

RECENTLY PUBLISHED

Capital and Financial Instruments: In December 2006, the CICA issued three new sections regarding capital and financial instruments. Sections 1535, 3862 and 3863 apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Trust does not anticipate that the application of these new sections in 2008 will have a material impact on its results, financial position and cash flows.

Section 1535 “Capital Disclosures” establishes standards for disclosing information about an entity’s capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862 “Financial Instruments – Disclosures” modifies the disclosure requirements for financial instruments that were included in Section 3861 “Financial Instruments – Disclosure and Presentation”. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the entity’s financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 “Financial Instruments – Presentation” carries forward unchanged the presentation requirements of the old Section 3861 “Financial Instruments – Disclosure and Presentation”.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar’s consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of co-owned properties.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition

Rental revenue from income properties includes rent from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

Rental revenue from leases with contractual rent increases are recognized on a straight-line basis.

Income properties, properties under development and land held for future development

Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and leasehold improvements.

Depreciation of buildings is recorded on a straight-line basis over a 40-year period.

Intangible assets, described as acquisition costs related to in-place operating leases, customer relationships and leasehold improvements, are amortized on a straight-line basis over the terms of the related leases or the estimated duration of the customer relationships.

Properties under development and land held for future development are stated at cost. Cost includes initial acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and expenses during the development period.

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

Disposals of income properties

Operating results and the gains and losses on disposal relating to income properties disposed of during the year are presented in net income from discontinued operations when:

- The operating results and cash flows of the disposed property are eliminated from current operations; and
- Cominar will not have significant and ongoing involvement in the operations of the sold property.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Deferred expenses and other assets

Deferred expenses and other assets mainly consist of leasing costs such as leasehold improvements realized through operating activities and other expenses, including tenant inducements and leasing commissions. These expenses are deferred and amortized on a straight-line basis over the terms of the related leases.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Unit option plan

Cominar has a unit option plan which is described in note 11. Cominar recognizes compensation expense when unit options are granted to trustees, management and employees with no cash settlement features.

Per unit results

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential issuance of units under convertible debentures, if dilutive.

4. INCOME PROPERTIES

| | 2007 | | | 2006 |
|-------------------|-----------|--------------------------|----------------|----------------|
| | Cost | Accumulated depreciation | Amortized cost | Amortized cost |
| | \$ | \$ | \$ | \$ |
| Buildings | 1,152,333 | 78,503 | 1,073,830 | 604,628 |
| Land | 174,657 | — | 174,657 | 97,988 |
| Intangible assets | 88,789 | 14,181 | 74,608 | 8,825 |
| | 1,415,779 | 92,684 | 1,323,095 | 711,441 |

Acquisitions of income properties

In June and July 2007, Cominar acquired 54 income properties, of which 7 are co-owned, from Alexis Nihon Real Estate Investment Trust ("Alexis Nihon REIT"), representing a business acquisition according to GAAP. This transaction was recorded using the purchase method. The following table shows the net assets acquired:

| | 2007 |
|--|----------------|
| | \$ |
| Income properties | |
| Land | 72,786 |
| Buildings | 447,620 |
| Intangible assets and liabilities: | |
| Prepaid origination costs | 56,677 |
| Above-market leases | 1,860 |
| Below-market leases | (4,318) |
| Customer relationships | 19,838 |
| Properties under development | 12,413 |
| Total purchase price | 606,876 |
| The acquisition cost was funded by: | |
| Cash and cash equivalents | 365,330 |
| Assumption of mortgages payable | 241,546 |
| Total acquisition cost | 606,876 |

The results of operation of income properties acquired and co-owned properties are included in the consolidated financial statements from their acquisition date.

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the year, Cominar capitalized \$2,922 [\$1,480 in 2006] in interest to properties under development and land held for future development, some of which are classified in income properties at year-end.

6. DEFERRED EXPENSES AND OTHER ASSETS

| | 2007 | 2006 |
|-------------------|--------|--------|
| | \$ | \$ |
| At amortized cost | | |
| Leasing costs | 34,077 | 27,339 |
| Other assets | 843 | 718 |
| | 34,920 | 28,057 |

7. ACCOUNTS RECEIVABLE

| | 2007 | 2006 |
|---|--------|--------|
| | \$ | \$ |
| Accounts receivable | 8,301 | 6,391 |
| Deferred accounts receivable | 6,674 | 5,448 |
| Other accounts receivable, bearing interest at a weighted average rate of 7.40% [7.50% as at December 31, 2006] | 2,504 | 2,545 |
| Balances of sale [note 20] | — | 5,687 |
| Restricted funds | 2,181 | — |
| | 19,660 | 20,071 |

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a carrying value of \$1,014,227 [\$422,315 as at December 31, 2006]. They bear interest at rates ranging from 4.68% to 11.00% per annum [5.72% to 11.00% as at December 31, 2006] representing a weighted average year-end rate of 5.78% [6.24% as at December 31, 2006] and are renewable at various dates from January 2008 to March 2022.

Certain loans on income properties assumed in connection with acquisitions completed during the year were adjusted to their fair value using market rates in effect at the date of acquisition. These fair value adjustments are amortized through income under “Interest on borrowings” over the residual term to maturity of the loans using the effective interest rate method.

Transaction costs related to mortgages payable are deducted from these loans, amortized using the effective interest rate method over the terms of the related mortgages and recorded under “Interest on borrowings.”

Mortgage repayments are as follows:

| Years ending December 31, | Principal repayments \$ | Balance at maturity \$ | Total \$ |
|--|----------------------------|---------------------------|-------------|
| 2008 | 14,348 | 132,098 | 146,446 |
| 2009 | 11,918 | 52,341 | 64,259 |
| 2010 | 12,055 | 24,070 | 36,125 |
| 2011 | 12,330 | 5,056 | 17,386 |
| 2012 | 12,209 | 16,380 | 28,589 |
| 2013 | 11,550 | 4,841 | 16,391 |
| 2014 and thereafter | 61,944 | 248,996 | 310,940 |
| | 136,354 | 483,782 | 620,136 |
| Plus: fair value adjustments on assumed indebtedness | | | 465 |
| Less: unamortized financing costs | | | (846) |
| | | | 619,755 |

Mortgages payable with fixed rates amount to \$620,136 [\$263,809 as at December 31, 2006] and those with variable rates were repaid during the year [\$6,840 as at December 31, 2006].

9. CONVERTIBLE DEBENTURES

The following table presents the characteristics of Cominar's convertible unsecured subordinated debentures as well as changes during the year:

| | 2007 | | | | 2006 |
|--|-------------------------|-------------------------|---------------------------|----------|----------|
| | Series A | Series B | Series C | Total | Total |
| Interest rates | 6.30% | 5.70% | 5.80% | | |
| Issue date | September 2004 | May 2007 | October 2007 | | |
| Conversion price per unit | \$17.40 | \$27.50 | \$25.25 | | |
| Interest payment dates | June 30 and December 31 | June 30 and December 31 | March 31 and September 30 | | |
| Redemption date at Cominar's option | June 2008 | June 2010 | September 2010 | | |
| Maturity date | June 2014 | June 2014 | September 2014 | | |
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 43,239 | — | — | 43,239 | 97,535 |
| Issuance | — | 80,500 | 110,000 | 190,500 | — |
| Holder's option conversions | (19,122) | — | — | (19,122) | (54,296) |
| Balance, end of year | 24,117 | 80,500 | 110,000 | 214,617 | 43,239 |
| Less: unamortized financing costs and equity component of convertible debentures | | | | (10,765) | (3,255) |
| | | | | 203,852 | 39,984 |

Net proceeds from convertible debentures issued during 2007 amounted to \$182,720.

As of the above-mentioned redemption dates, Cominar may, under certain terms and conditions, elect to satisfy its principal repayment obligations under the debentures by issuing units of Cominar.

In accordance with the CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities on the balance sheet, net of the equity component of convertible debentures related to the holder's conversion option, and interest has been charged to "Interest on borrowings" in the statement of income. Debenture issue costs are deducted from liabilities and are amortized using the effective interest rate method over the term of the debenture and recorded under "Interest on borrowings."

During the year, 19,122 convertible debentures (Series A) were converted into 1,098,945 units at a conversion price of \$17.40 per unit, for a total amount of \$19,122.

10. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to \$180,000 [\$118,000 as at December 31, 2006]. These credit facilities, subject to annual renewal, bear interest at rates ranging from prime rate plus 0.00% to prime rate plus 0.50% [prime rate plus 0.00% to prime rate plus 0.50% in 2006]. All of these credit facilities [\$115,000 as at December 31, 2006] are secured by movable and immovable hypothecs on specific assets. As at December 31, 2007, the prime rate was 6.00% [6.00% as at December 31, 2006]. These credit facilities have a number of covenants which were met as at December 31, 2007.

11. ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units, the number of which is unlimited. Units represent a unitholder's proportionate and undivided ownership interest in Cominar. Each unit confers the right to one vote at any meeting of unitholders and to participate equally and ratably in any distributions by Cominar.

On June 5, 2007, Cominar issued 7,113,000 units for net proceeds of \$164,149 pursuant to the exchange of the subscription receipts issued in May 2007.

During the year ended December 31, 2007, Cominar issued 8,672,322 units including 7,113,000 units pursuant to a public offering, 1,098,945 units from conversion of convertible debentures, 92,777 units under the distribution reinvestment plan, and the balance of 367,600 units via the exercise of options. The issuance of these units resulted in net proceeds of \$169,454.

| | 2007 | | 2006 | |
|--|------------|---------|------------|---------|
| | Units | \$ | Units | \$ |
| Units issued and outstanding, beginning of year | 36,600,361 | 400,698 | 32,940,735 | 338,230 |
| Issued from public offering | 7,113,000 | 164,149 | — | — |
| Issued from exercise of options | 367,600 | 5,305 | 470,450 | 6,668 |
| Issued under the distribution reinvestment plan | 92,777 | 1,795 | 68,744 | 1,372 |
| Issued from conversion of convertible debentures | 1,098,945 | 19,122 | 3,120,432 | 54,296 |
| Reversal of contributed surplus on exercise of options | — | 103 | — | 132 |
| Units issued and outstanding, end of year | 45,272,683 | 591,172 | 36,600,361 | 400,698 |

Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 3,319,210 units. As at December 31, 2007, options for the acquisition of 1,782,000 units were outstanding and 886,410 options were awardable under the plan.

The following tables show option characteristics and changes during the year:

| Date of grant | Graded vesting method | Maturity date | Exercise price \$ | As at December 31, 2007 | |
|-------------------|-----------------------|-------------------|-------------------|-------------------------|---------------------|
| | | | | Outstanding options | Exercisable options |
| August 9, 2001 | 33 1/3% | August 9, 2008 | 11.00 | 9,500 | 9,500 |
| November 13, 2003 | 20% | November 13, 2010 | 14.00 | 1,109,500 | 659,500 |
| April 8, 2005 | 25% | November 13, 2010 | 17.12 | 126,000 | 30,000 |
| May 23, 2006 | 20% | May 23, 2013 | 18.90 | 477,000 | 86,000 |
| May 15, 2007 | 50% | May 15, 2014 | 23.59 | 60,000 | — |
| | | | | 1,782,000 | 785,000 |

| | 2007 | | 2006 | |
|----------------------------------|-----------|------------------------------------|-----------|------------------------------------|
| | Options | Weighted average exercise price \$ | Options | Weighted average exercise price \$ |
| Outstanding, beginning of year | 2,170,600 | 15.50 | 2,354,050 | 14.29 |
| Exercised | (367,600) | 14.58 | (470,450) | 14.21 |
| Granted | 60,000 | 23.59 | 670,000 | 18.90 |
| Cancelled | (81,000) | 18.16 | (383,000) | 15.61 |
| Outstanding, end of year | 1,782,000 | 15.84 | 2,170,600 | 15.50 |
| Exercisable options, end of year | 785,000 | 14.62 | 497,600 | 13.96 |

Unit-based compensation plan

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

| Date of grant | Volatility | Exercise price \$ | Weighted average distribution return | Weighted average risk-free interest rate |
|-------------------|------------|-------------------|--------------------------------------|--|
| November 13, 2003 | 11.70% | 14.00 | 8.74% | 4.21% |
| April 8, 2005 | 13.50% | 17.12 | 7.58% | 3.78% |
| May 23, 2006 | 13.00% | 18.90 | 7.14% | 4.10% |
| May 15, 2007 | 13.60% | 23.59 | 5.55% | 4.04% |

Compensation expense is amortized using the graded vesting method.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options with no restrictions. In addition, option pricing models require the input of highly subjective assumptions, including the expected stock price volatility. Because the unit options of Cominar's trustees, management and employees have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the unit options of its trustees, management and employees.

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units amounting to 105% of the cash distributions. During 2007, 92,777 units were issued at a weighted average price of \$19.34 for a total consideration of \$1,795 pursuant to the distribution reinvestment plan.

12. INCOME TAXES

Cominar is taxed 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 of Cominar and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

Cominar’s subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 32%. There is no provision required for the period ended December 31, 2007.

The carrying value of Cominar’s net assets as at December 31, 2007 exceeded the tax basis by approximately \$82,000 [\$83,700 as at December 31, 2006].

New tax system

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

Application of new rules

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as at October 31, 2006, whose future growth will not exceed normal growth, benefit from a four-year transition period before the new rules apply.

REIT exception

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts (REITs) for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only “non-portfolio properties” it owns during the year are “qualified REIT properties,” (ii) at least 95% of its income for the taxation year is from one or more of the following sources: “rent from real or immovable properties;” interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: “rent from real or immovable properties” to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As at December 31, 2007, Cominar met all of these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar’s management intends to take the necessary steps to meet these conditions on a regular basis in the future.

13. PER-UNIT RESULTS

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income per unit.

| | 2007 | 2006 |
|--|------------|------------|
| Weighted average number of units outstanding – basic | 41,592,324 | 34,364,768 |
| Effect of dilutive unit options | 575,158 | 513,154 |
| Weighted average number of units outstanding – diluted | 42,167,482 | 34,877,922 |

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of the diluted net income per unit.

14. DISTRIBUTIONS

Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. The distributable income generally means net income determined in accordance with GAAP, adjusted for depreciation of income properties and amortization of above-and below-market leases, compensation costs related to unit options, accretion of liability component of convertible debentures, deferred rental income, gains or losses on disposals of income properties and amortization of fair value adjustments on assumed indebtedness.

| | 2007 | 2006 |
|------------------------------|--------|--------|
| | \$ | \$ |
| Distributions to unitholders | 55,454 | 42,724 |
| Distributions per unit | 1.301 | 1.230 |

15) INVESTMENTS IN CO-OWNED PROPERTIES

Cominar's proportionate share of the assets, revenues and net income of co-owned properties acquired in 2007 are as follows:

| | 2007 | 2006 |
|--------------------|------|------|
| | \$ | \$ |
| Operating revenues | 708 | — |
| Net income | 174 | — |

Co-owned properties account for approximately 1% of the carrying value of Cominar's total assets.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items is as follows:

| | 2007 | 2006 |
|--|---------|---------|
| | \$ | \$ |
| Prepaid expenses | (1,184) | (299) |
| Accounts receivable | (423) | (4,066) |
| Accounts payable and accrued liabilities | 11,862 | (904) |
| | 10,255 | (5,269) |

Additional information

| | | |
|--|---------|--------|
| Interest paid | 36,810 | 25,129 |
| Unpaid leasing costs | 5,280 | 1,325 |
| Additions to income properties and properties under development by assumption of mortgages payable | 249,004 | — |
| Unpaid additions to income properties and properties under development | 3,707 | 6,075 |
| Properties under development transferred to income properties | 10,428 | 14,288 |

17. RELATED-PARTY TRANSACTIONS

During the year, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions, made in the normal course of business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

| | 2007 | 2006 |
|--|--------|--------|
| | \$ | \$ |
| Rental revenue from income properties | 990 | 1,178 |
| Other revenues | 254 | 384 |
| Income properties and properties under development | 11,641 | 14,871 |
| Deferred expenses and other assets | 9,121 | 8,629 |
| Accounts receivable | 305 | 473 |
| Accounts payable and accrued liabilities | 7,147 | 8,146 |

18. FINANCIAL INSTRUMENTS

Cominar is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants.

Interest rate risk

Accounts receivable, except for the balances of sale mentioned in note 7, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 8, 9 and 10 respectively.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Cominar mitigates this risk via geographic and sector diversification of its portfolio and a varied tenant mix.

Fair value

The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at December 31, 2007 due to their short-term nature or because they are based on current market rates.

As at December 31, 2007, the fair value of mortgages payable was approximately \$8,262 greater than the carrying value [\$5,693 as at December 31, 2006] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at December 31, 2007, the fair value of convertible debentures exceeded their carrying value by approximately \$6,891 [\$2,292 as at December 31, 2006] due to the change in interest rates since the issuance dates. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

19. SEGMENTED INFORMATION

Cominar's activities include three property types located in the greater Quebec City, Montreal and Ottawa areas. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies.

The following table indicates the financial information from continuing operations related to these property types:

| | Office properties | Retail properties | Industrial and mixed-use properties | Total |
|---------------------------------------|----------------------|----------------------|---|-----------|
| Year ended December 31, 2007 | \$ | \$ | \$ | \$ |
| Rental revenue from income properties | 75,107 | 44,344 | 62,673 | 182,124 |
| Depreciation of income properties | 16,859 | 5,765 | 12,890 | 35,514 |
| Net operating income ⁽¹⁾ | 43,135 | 25,872 | 40,764 | 109,771 |
| Income properties (amortized cost) | 587,324 | 243,618 | 492,153 | 1,323,095 |

| | Office properties | Retail properties | Industrial and mixed-use properties | Total |
|---------------------------------------|----------------------|----------------------|---|---------|
| Year ended December 31, 2006 | \$ | \$ | \$ | \$ |
| Rental revenue from income properties | 41,413 | 41,130 | 44,207 | 126,750 |
| Depreciation of income properties | 5,256 | 5,047 | 4,958 | 15,261 |
| Net operating income ⁽¹⁾ | 24,820 | 23,651 | 28,580 | 77,051 |
| Income properties (amortized cost) | 259,869 | 223,453 | 228,119 | 711,441 |

(1) Net operating income is "Operating income before the undernoted" in the statement of income.

20. DISCONTINUED OPERATIONS

On September 1, 2007, the Centre hospitalier de l'Université de Montréal (CHUM) took possession of the office property located at 300 Viger Street, in Montréal. A notice of expropriation had been served on this property in 2006. Since the definitive indemnity amount has not yet been set, Cominar has not recognized any related gain or loss. (See note 22a).

On December 21, 2006, Cominar sold an industrial and mixed-use property for \$3,662, the proceeds of which were received in January 2007. This amount is presented in balances of sale in note 7. A \$632 gain on disposal was realized.

The following table summarizes the financial information relating to the property sold and the property expropriated in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations".

| | 2007 | 2006 |
|-------------------------------------|---------|---------|
| | \$ | \$ |
| Net operating income | 1,866 | 3,751 |
| Depreciation of income properties | (618) | (1,015) |
| Interest on borrowings | (1,240) | (1,860) |
| Net income | 8 | 876 |
| Gain on disposal | — | 632 |
| Income from discontinued operations | 8 | 1,508 |
| Basic net income per unit | 0.000 | 0.044 |
| Diluted net income per unit | 0.000 | 0.043 |

21. UNUSUAL ITEMS

During the second quarter of 2007, Cominar recorded non-recurring interest revenue amounting to \$422 arising from the investment of the subscription receipts issued in May 2007 and converted into units on June 5, 2007.

In connection with its growth strategy, Cominar incurred, in the first quarter of 2006, costs totalling \$554 related to its offer to acquire all the outstanding units of the Alexis Nihon REIT, which was not completed in 2006. These costs were recorded in the statement of income of the first quarter of 2006, in accordance with the provisions of CICA Emerging Issues Committee Abstract EIC-94, which states that, in cases where the entity ceases to be engaged on a regular and ongoing basis with completion of the specifically identified transaction and it is not likely that activities with respect to completion of the particular transaction will resume within the next three months, the costs incurred at that date must be immediately expensed.

22. CONTINGENCIES

a) An expropriation process was initiated in June 2006 by the CHUM for the property located at 300 Viger Street in Montréal, Québec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Québec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to \$30 million which was received during 2007. The definitive indemnity will either be set by the Québec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity.

b) Letters of guarantee outstanding as at December 31, 2007 amount to \$2,500. This amount has been given as a performance guarantee to execute required repairs under mortgage agreements.

23. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total carrying value of \$57,345, are as follows:

| Years ending December 31, | Total \$ |
|---------------------------|-------------|
| 2008 | 476 |
| 2009 | 476 |
| 2010 | 486 |
| 2011 | 491 |
| 2012 | 526 |
| 2013 and thereafter | 25,275 |

24. SUBSEQUENT EVENT

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montréal that were previously co-owned. Cominar, as a result of this acquisition transaction, is now the sole owner of these income properties. The purchase price amounted to \$18.3 million and the combined capitalization rate, including Cominar's initial interest acquired in 2007, is estimated at 6.8%.

25. COMPARATIVE FIGURES

Certain 2006 figures have been reclassified to conform to the current year presentation.

{ Corporate Information }

Board of Trustees

ROBERT DESPRÉS, O.C., G.O.Q. ⁽¹⁾⁽³⁾

Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

MICHEL DALLAIRE, P.Eng.

President and Chief Executive Officer
Cominar Real Estate Investment Trust

YVAN CARON ⁽¹⁾⁽²⁾⁽⁴⁾

Consultant

ME GÉRARD COULOMBE, Q.C. ⁽²⁾⁽³⁾

Senior Partner
Lavery De Billy

ALAIN DALLAIRE

Executive Vice President, Operations
Cominar Real Estate Investment Trust

DINO FUOCO ⁽¹⁾⁽⁴⁾

President, Matvet Inc.

PIERRE GINGRAS ⁽⁴⁾

President, Placements Moras

GHISLAINE LABERGE ⁽²⁾⁽³⁾

Real Estate Investment Consultant

MICHEL PAQUET

Executive Vice President, Legal Affairs and Secretary
Cominar Real Estate Investment Trust

Officers

MICHEL DALLAIRE, P.Eng.

President and Chief Executive Officer

MICHEL BERTHELOT, CA

Executive Vice President
and Chief Financial Officer

RENÉ BÉRUBÉ, C.App.

Vice President, Leasing - Quebec City

WALLY COMMISSO

Vice President,
Property Management - Montreal

ALAIN DALLAIRE

Executive Vice President, Operations

ANNE-MARIE DUBOIS

Vice President, Leasing - Montreal

MICHEL LECLERC

Vice President,
Property Management - Quebec City

JEAN-GUY MOREAU

Vice President, Development

RICHARD NOLIN

Vice-président, Retail

MICHEL OUELLETTE, C.App.

Executive Vice President,
Acquisitions and Development

ME MICHEL PAQUET

Executive Vice President,
Legal Affairs and Secretary

ROGER TURPIN

Vice President, Treasurer

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Governance and Nominating Committee

(4) Member of the Investment Committee

COMINAR REAL ESTATE INVESTMENT TRUST

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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” and “CUF.DB”, “CUF.DB.B” and “CUF.DB.C”.

TRANSFER AGENT

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TAXABILITY OF DISTRIBUTIONS

In 2007, 54.6% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

Ernst & Young LLP

ANNUAL MEETING OF UNITHOLDERS

May 14, 2008
11:00 a.m.

Château Bonne Entente
Chemin Sainte-Foy
Quebec City (Qc)

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the “DRIP”). The DRIP allows participants to have their monthly distributions reinvested in 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 Plan agent: Computershare Trust Company of Canada, 100 University Avenue, 9th floor, Toronto, Ontario, Canada, M5J 2Y1, Tel.: (514) 982-7555, Toll free: 1 800 564-6253, Fax: (416) 263-9394, Email: service@computershare.com

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