Financial Review

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2012, with a comparison to the financial condition and results of operations for the comparable periods in 2011 and 2010. This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2012, December 31, 2011 and December 31, 2010, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

In particular, certain statements in this document discuss Crombie's anticipated outlook of future events. These statements include, but are not limited to:

(i) the development of new properties and right of first offer agreements, which development activities are undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(ii) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(iii) asset growth and reinvesting to redevelop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;

(iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

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

(vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities and market conditions;

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

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

(ix) anticipated subsidy payments from ECL Developments Limited ("ECLD"), which are dependent on tenant leasing and construction activity;

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

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

(xii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(xiii) the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt market conditions.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

NON-IFRS FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset NOI and same-asset cash NOI, operating income attributable to Unitholders, funds from operations ("FFO") and adjusted funds from operations ("AFFO"), debt to gross book value, and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Management includes these measures because it believes certain investors use these measures as a means of assessing relative financial performance.

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 28, 2013, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**Quarter Ended Dec. 31, 2012**	Quarter Ended Dec. 31, 2011	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Property revenue	**$ 68,470**	$ 58,682	**$ 256,022**	$ 226,138
Operating income attributable to Unitholders	**$ 11,825**	$ 10,673	**$ 39,735**	$ 38,215
Basic and diluted operating income attributable to Unitholders per unit(1)	**$ 0.13**	$ 0.15	**$ 0.48**	$ 0.56
FFO	**$ 27,351**	$ 19,708	**$ 90,737**	$ 74,471
FFO per unit – basic	**$ 0.31**	$ 0.27	**$ 1.09**	$ 1.09
FFO per unit – diluted(1)	**$ 0.30**	$ 0.26	**$ 1.06**	$ 1.04
FFO payout ratio (%)	**72.4%**	83.9%	**82.7%**	82.3%
AFFO	**$ 23,407**	$ 16,486	**$ 76,605**	$ 60,051
AFFO per unit – basic	**$ 0.27**	$ 0.23	**$ 0.92**	$ 0.88
AFFO per unit – diluted(1)	**$ 0.26**	$ 0.22	**$ 0.90**	$ 0.86
AFFO payout ratio (%)(2)	**84.6%**	100.3%	**98.0%**	102.1%

(1) The diluted weighted average number of total Units and Class B LP Units with attached Special Voting Units includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. For both the three months and year ended December 31, 2012 and December 31, 2011, all series of convertible debentures are anti-dilutive for operating income attributable to Unitholders per unit calculations. For the three months and year ended December 31, 2011, the 7% Debentures are anti-dilutive for AFFO per unit calculations. For the year ended December 31, 2012 the Series D Debentures are anti-dilutive for AFFO per unit calculations.

(2) AFFO payout ratio is calculated using a per square foot charge of $1.05 (2011 – $1.10) for maintenance expenditures (see "AFFO" section).

2012 Highlights

- FFO for the three months ended December 31, 2012 was $27,351 or $0.31 per unit Basic and $0.30 per unit Diluted and the FFO payout ratio was 72.4%. Excluding the impact of non-recurring items (as further discussed in Financial Results year to date and fourth quarter results), FFO per unit would have been $0.27 Basic and $0.27 Diluted and the FFO payout ratio would have been 82.7%. For the year ended December 31, 2012 FFO was $90,737 or $1.09 per unit Basic and $1.06 per unit Diluted and the FFO payout ratio was 82.7%. Excluding the impact of non-recurring items, FFO per unit would have been $1.09 Basic and $1.06 Diluted and FFO payout ratio would have been 83.1%.
- AFFO for the three months ended December 31, 2012 was $23,407 or $0.27 per unit Basic and $0.26 per unit Diluted and the AFFO payout ratio was 84.6%. Excluding the impact of non-recurring items, AFFO per unit would have been $0.23 Basic and $0.22 Diluted and the AFFO payout ratio would have been 99.1%. For the year ended December 31, 2012 AFFO was $76,605 or $0.92 per unit Basic and $0.90 per unit Diluted and the AFFO payout ratio was 98.0%. Excluding the impact of non-recurring items, AFFO per unit would have been $0.91 Basic and $0.89 Diluted and AFFO payout ratio would have been 99.5%.
- Crombie completed the acquisition of two properties and also acquired additional development on two properties in the quarter ended December 31, 2012. Total acquisition activity during the quarter was $53,099, excluding closing and transaction costs. Year to date, Crombie has acquired a total of 32 properties for $393,987.
- Property revenue for the year ended December 31, 2012 was $256,022, an increase of $29,884 or 13.2% over $226,138 for the year ended December 31, 2011.
- Same-asset cash NOI for the year ended December 31, 2012 was $131,999, an increase of $3,233, or 2.5%, compared to $128,766 for the year ended December 31, 2011.

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- Property leased (occupied plus committed) was 93.2% at December 31, 2012 compared with 93.5% at September 30, 2012 and 94.7% at December 31, 2011. Property occupied was 92.6% at December 31, 2012 compared with 92.2% at September 30, 2012, and 93.3% at December 31, 2011.
- Crombie completed leasing activity on 1,097,000 square feet of GLA during the year ended December 31, 2012, which represents approximately 106.4% of its 2012 expiring lease square footage.
- Crombie's leasing activity included lease renewals on 465,000 square feet in 2012, at an average rate of $13.49 per square foot; an increase of 5.3% over the expiring lease rate. Crombie completed new leasing activity during 2012 at $11.88 per square foot.
- Debt to gross book value was 50.0% at December 31, 2012 compared with 52.5% at December 31, 2011.
- Crombie's interest service coverage for the year ended December 31, 2012 was 2.61 times EBITDA and debt service coverage was 1.76 times EBITDA, compared to 2.49 times EBITDA and 1.79 times EBITDA, respectively, for the same period in 2011.

Overview of the Business and Recent Developments

Crombie is an unincorporated, "open-ended" real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol CRR.UN.

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored and drugstore-anchored retail properties. At December 31, 2012, Crombie owned a portfolio of 170 investment properties in nine provinces, comprising approximately 14.1 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through its subsidiary ECLD, holds a 42.9% economic and voting interest in Crombie at December 31, 2012.

Significant developments during 2012 include:

Acquisitions and related financings included:

(In thousands of CAD dollars, except as otherwise noted)

Date Acquired in 2012	Number of Properties	Province	GLA (sq. ft.)	Initial Purchase Price	Assumed and New Mortgages	Weighted Average Mortgage Rate	Term in Years	Amortization in Years
March 9	1	Alberta	40,000	$ 13,800	$ 8,960	4.06%	5	20
April 10	22	Ontario, Manitoba and Saskatchewan	886,000	254,647	119,454	4.41%	7	24
June 26	5	Quebec, Ontario and Alberta	107,000	42,801	29,100	4.24%	15	25
August 16	1	Saskatchewan	41,000	9,600	5,126	5.17%	4	24
August 31	1	Newfoundland and Labrador	135,000	20,000	–	–	–	–
October 5	1	Ontario	80,000	24,455	18,300	4.10%	10	25
October 19	1	New Brunswick	74,000	19,250	14,000	3.71%	10	25
October 31	–	Ontario	22,000	6,925	5,190	4.32%	6	25
December 20	–	Nova Scotia	11,000	2,469	1,800	4.05%	9	25
			1,396,000	$ 393,947	$ 201,930			

The initial purchase price excludes closing and transaction costs.

The October 2012 and December 2012 acquisitions were from a subsidiary of Empire. The October 31, 2012 and December 20, 2012 acquisitions were additional development on existing Crombie properties. The balance of the purchase price was funded using Crombie's existing revolving credit facility and, in the case of the April 10, 2012 acquisition through application of net proceeds from the March 2012 public offering of $120,135.

Public and private offerings:

(In thousands of CAD dollars, except per unit amounts) Public Offerings	Number of REIT Units		Price per REIT Unit		Gross Proceeds
March 29, 2012	4,630,000	$	14.50	$	67,135
December 14, 2012	2,408,000	$	14.75		35,518
	7,038,000			$	102,653

Private Placements	Number of Class B LP Units		Price per Class B LP Unit		Gross Proceeds
March 29, 2012	3,655,200	$	14.50	$	53,000
December 14, 2012	1,659,661	$	14.75		24,480
	5,314,861			$	77,480

The private placements were made with ECLD concurrent with the public offerings.

Other significant developments during 2012 include:

- On April 18, 2012, Crombie announced that it had exercised its right to redeem its 7% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms of the Trust Indenture dated March 20, 2008, governing all series of Debentures. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on a conversion price of $13.00 per Unit until May 22, 2012. The redemption of the balance of the outstanding 7% Debentures was completed on May 23, 2012 for a total payment of approximately $3,707 on account of principal plus accrued interest.
- On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders, which increased the maximum principal amount thereof from $150,000 to $200,000, subject to available borrowing base.
- On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures" or the "Debentures"). The Debentures have an interest rate of 5.00% per annum and pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Debentures mature on September 30, 2019. Empire has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECLD's pre-emptive right with respect to the Debenture offering.
- On September 21, 2012, Crombie renegotiated a portfolio of mortgages previously granted in 2008 in connection with the assignment of the portfolio to a new lender. The mortgages, with a weighted average interest rate of 5.91% and terms to maturity from 2013 to 2017, totalled $92,397. Concurrent with the assignment of the mortgages to the new lender, Crombie renegotiated the terms of the debt and entered into a 30 month floating rate term credit facility. The floating interest rate is based, at the option of Crombie, on Bankers' Acceptance rates or Prime Rates plus, in each case a spread resulting in an interest rate at that time of 3.07%. The term facility is to be repaid from proceeds of new mortgages expected to be placed on some or all of the 23 properties.

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Significant developments during 2011 included:

Acquisitions and related financings included:

(In thousands of CAD dollars, except as otherwise noted)

Date Acquired in 2011	Number of Properties	Province	GLA (sq. ft.)	Initial Purchase Price	Assumed and New Mortgages	Weighted Average Mortgage Rate	Term in Years	Amorti-zation in Years
May 2	1	Alberta	74,000	$ 21,850	$ 11,708	6.59%	8	25
May 10	2	Nova Scotia and Ontario	137,000	27,490	20,100	5.05%	20	25
September 15	1	Quebec	60,000	13,040	9,130	4.23%	10	25
September 28	2	Ontario	71,000	11,780	8,000	4.80%	20	25
December 15	3	Nova Scotia and Ontario	261,000	67,280	46,000	4.30%	13	25
December 19	1	Ontario	20,000	5,600	2,877	5.87%	3	25
			623,000	$ 147,040	$ 97,815			

The initial purchase price excludes closing and transaction costs.

The May 10, September 15, September 28 and December 15, 2011 acquisitions were from subsidiaries of Empire. The balance of the purchase price was funded using Crombie's existing revolving credit facility and, in the case of the December 2011 acquisitions, through application of net proceeds from the October 2011 public offering of $75,104.

Public and private offerings:

(In thousands of CAD dollars, except per unit amounts)

Public Offerings	Number of REIT Units	Price per REIT Unit	Gross Proceeds
October 20, 2011	3,510,000	$ 12.85	$ 45,104

Private Placements	Number of Class B LP Units	Price per Class B LP Unit	Gross Proceeds
October 20, 2011	2,334,630	$ 12.85	$ 30,000

The private placements were made with ECLD concurrent with the public offerings.

Other significant developments during 2011 include:

- On January 1, 2011, Crombie transitioned to IFRS.
- On June 28, 2011, Crombie renewed its $150,000 floating rate revolving credit facility, extending the term to June 30, 2014. The renewal contains a $50,000 accordion feature which, when requested and approved, increases the total facility to $200,000, subject to available borrowing base.
- On June 29, 2011, Crombie settled the last remaining forward rate interest rate swap agreement at a cost of $1,731. This cost represented a charge of $0.03 against AFFO in the year ended December 31, 2011.

Business Objectives and Outlook

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unit value through active asset management; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

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

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value.

Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio.

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

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form, and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has obtained a right of first offer from Sobeys for other Sobeys' income producing commercial properties, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

The agreements provide Crombie with a preferential right to acquire retail properties from ECLD and/or SDLP, subject to approval by Crombie's elected trustees. These relationships between Crombie and ECLD and SDLP continue to provide promising opportunities for growth of Crombie's portfolio through future developments on both new and existing sites.

The following table outlines the property transactions completed since the initial public offering ("IPO"), which highlight the growth opportunities provided through the Empire/Sobeys/ECLD relationship.

(In thousands of CAD dollars)

Date Acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost (1)	Vendor
2006–2010	83	4,303,000	$ 632,208	Empire subsidiaries
2006–2010	7	619,000	$ 110,300	3rd parties
2011	8	522,000	$ 119,591	Empire subsidiaries
2011	2	94,000	$ 27,450	3rd parties
March 9, 2012	1	40,000	$ 13,800	3rd party
April 10, 2012	22	886,000	$ 254,647	3rd parties
June 26, 2012	5	107,000	$ 42,801	3rd party
August 16, 2012	1	41,000	$ 9,600	3rd party
August 31, 2012	1	135,000	$ 20,000	3rd party
October 5, 2012	1	80,000	$ 24,455	Empire subsidiary
October 19, 2012	1	74,000	$ 19,250	Empire subsidiary

(1) Excluding closing and transaction costs.

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire properties developed by these entities. There is currently approximately $300,000–$500,000 of properties in various stages of development which is anticipated to be made available to Crombie over the next four years. The properties are primarily retail plazas with more than 80% of the GLA expected to be located outside of Atlantic Canada.

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers continue to rise and unemployment levels remain high. Also, during this 2009–2012 period, the credit and equity markets experienced a dramatic improvement in their liquidity which occurred almost as quickly as the contraction did in late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital. During 2011, Crombie sourced 20 year mortgage debt as low as 4.61% and 10 year mortgage debt as low as 4.06%. This trend continues in 2012 with Crombie sourcing five year mortgage debt as low as 3.33%; 10 year mortgage debt as low as 3.96%; and, 15 year mortgage debt as low as 4.15%. The availability of longer term financing (i.e. 10 years and longer) is not consistent as limited numbers of lenders participate in this segment of the market.

(In thousands of CAD dollars, except per unit amounts)

INTRODUCTION (cont.)

In light of the improving economic conditions and improved access to capital, capitalization rates began to decrease after their increases during the recession. This capitalization rate reduction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions are available. As a result, Crombie was able to complete acquisitions of three retail properties in the second quarter of 2011; three properties in the third quarter and three properties in the fourth quarter as well as an addition to an existing property. During 2012, Crombie acquired one property in the first quarter; 27 properties in the second quarter, two properties in the third quarter and two properties in the fourth quarter. Of the $393,947 in property acquisitions during 2012, 86.5% were from third parties, with the remainder acquired from subsidiaries of Empire. Crombie will pursue acquisitions that are expected to be accretive to AFFO and provide an acceptable return, including acquisitions from relationships between Crombie and ECLD and Crombie and SDLP.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2012 the property portfolio consisted of 170 investment properties that contain approximately 14.1 million square feet of GLA in nine provinces.

As at December 31, 2012, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	Jan. 1, 2012	Acquisitions	Other	Dec. 31, 2012	Number of Properties	% of GLA	% of Annual Minimum Rent
Alberta	348,000	59,000	2,000	409,000	9	2.9%	4.4%
Manitoba	–	39,000	–	39,000	1	0.3%	0.3%
New Brunswick	1,737,000	74,000	–	1,811,000	23	12.8%	9.9%
Newfoundland and Labrador	1,492,000	135,000	25,000	1,652,000	14	11.8%	14.8%
Nova Scotia	5,466,000	–	37,000	5,503,000	46	39.2%	33.4%
Ontario	1,936,000	926,000	21,000	2,883,000	50	20.5%	24.1%
Prince Edward Island	313,000	–	–	313,000	2	2.2%	1.9%
Quebec	1,108,000	59,000	7,000	1,174,000	21	8.4%	9.1%
Saskatchewan	198,000	71,000	–	269,000	4	1.9%	2.1%
Total	12,598,000	1,363,000	92,000	14,053,000	170	100.0%	100.0%

During 2012, GLA has increased by 1,363,000 square feet through the acquisition of 32 properties, including 22 properties in Ontario, three in Quebec, two each in Alberta and Saskatchewan, and one each in Manitoba, New Brunswick and Newfoundland and Labrador.

Other increases in GLA are the result of a redevelopment in Sydney, Nova Scotia and land use intensification development in Nova Scotia, Newfoundland and Labrador, Ontario and Quebec.

Crombie continues to diversify its geographic composition from its Atlantic Canadian roots through growth opportunities, as evidenced by nine property acquisitions in Alberta, 35 in Ontario, nine in Quebec, four in Saskatchewan and one in Manitoba since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

On a regular basis, Crombie will commence redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. As at December 31, 2012, Crombie has three properties under redevelopment: Downsview Plaza in Halifax, Nova Scotia is being reconfigured to accommodate new tenancies; Terminal Centres in Moncton, New Brunswick is being refurbished and upgraded, including GLA expansion; and, Amherst Centre in Amherst, Nova Scotia has been designated for redevelopment which has not yet commenced.

The following table outlines properties designated for redevelopment:

(In thousands of CAD dollars) Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred to Date	Estimated Completion
Nova Scotia	Barrington Tower	187,000	Reconfigure space to accommodate future leasing	$5,750	$6,200	Complete
Nova Scotia	Downsview Plaza	142,000	Reconfigure space to accommodate future leasing	Phase I – $2,600 Phase I I – $2,400	$2,300 $–	Complete To be determined
New Brunswick	Terminal Centres	202,000	Refurbish and upgrade, including GLA expansion to accommodate future leasing	$16,500	$2,400	Fourth quarter, 2013
Nova Scotia	Amherst Centre	228,000	To be determined	In planning	$–	To be determined

During the fourth quarter of 2011, Crombie commenced the reconfiguration of Barrington Tower to accommodate the requirements of new tenants. Work was completed and tenants occupied space by September 2012.

During the first quarter of 2012, Crombie commenced redevelopment work on the first phase of Downsview Plaza to accommodate the requirements of new tenants and initial work for future tenants. Phase I is now complete and new tenants have begun occupying space in the fourth quarter of 2012. Planning is currently underway for Phase II.

During the third quarter of 2012, Crombie commenced the redevelopment of Terminal Centres to accommodate current and future leasing. Construction is currently underway with an expected completion date of the fourth quarter of 2013.

Amherst Centre has been designated for redevelopment. Planning and design work is currently underway and is subject to management review and approval.

Properties under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the redevelopment property are available for the current and comparative reporting periods.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2012.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[(1)]	34.4%	14.2 years
Shoppers Drug Mart	6.7%	12.8 years
Province of Nova Scotia	1.8%	5.2 years
Empire Theatres Limited	1.6%	7.6 years
Lawtons/Sobeys Pharmacy	1.6%	13.6 years
GoodLife Fitness	1.6%	10.2 years
CIBC	1.4%	17.7 years
Best Buy Canada Ltd.	1.3%	8.6 years
Bank of Nova Scotia	1.2%	3.8 years
Bell (Aliant)	1.0%	6.0 years
Total	52.6%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 34.4% of the annual minimum rent and Shoppers Drug Mart which accounts for 6.7% of the annual minimum rent, no other tenant accounts for more than 1.8% of Crombie's annual minimum rent.

(In thousands of CAD dollars, except per unit amounts)

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

Lease Maturities

The following table sets out as of December 31, 2012, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry ($)
2013	255	1,176,000	8.4%	$ 10.95
2014	196	705,000	5.0%	$ 15.66
2015	169	731,000	5.2%	$ 14.77
2016	161	772,000	5.5%	$ 14.52
2017	174	852,000	6.0%	$ 17.60
Thereafter	532	8,866,000	63.1%	$ 14.93
Total	1,487	13,102,000	93.2%	$ 14.77

The weighted average remaining term of all leases is approximately 9.9 years. This lengthy remaining lease term is influenced by the average Sobeys remaining lease term of 14.2 years.

During year ended December 31, 2012, Crombie's lease renewals were completed at an average rate of $13.49 per square foot; while new leasing activity was completed at an average rate of $11.88 per square foot. The average rent per square foot on full year 2012 lease expiries was $12.05 per square foot.

2012 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ending December 31, 2012 were as follows:

	Occupied Space (sq. ft.)								
Province	Jan. 1, 2012	Acquisitions	New Leases(1)	Lease Expiries	Other Changes(2)	Dec. 31, 2012	Committed Space(3) (sq. ft.)	Total Leased Space (sq. ft.)	Leased Dec. 31, 2012
Alberta	348,000	59,000	2,000	–	–	409,000	–	409,000	100.0%
Manitoba	–	39,000	–	–	–	39,000	–	39,000	100.0%
New Brunswick	1,565,000	74,000	31,000	(95,000)	(28,000)	1,547,000	–	1,547,000	85.4%
Newfoundland and Labrador	1,445,000	125,000	98,000	(6,000)	(68,000)	1,594,000	5,000	1,599,000	96.8%
Nova Scotia	4,976,000	–	419,000	(276,000)	(94,000)	5,025,000	34,000	5,059,000	91.9%
Ontario	1,829,000	910,000	43,000	(9,000)	(101,000)	2,672,000	45,000	2,717,000	94.2%
PEI	304,000	–	–	(1,000)	(4,000)	299,000	–	299,000	95.5%
Quebec	1,085,000	59,000	13,000	–	5,000	1,162,000	2,000	1,164,000	99.1%
Saskatchewan	198,000	71,000	–	–	–	269,000	–	269,000	100.0%
Total	11,750,000	1,337,000	606,000	(387,000)	(290,000)	13,016,000	86,000	13,102,000	93.2%

(1) New leases include: new leases and expansions to existing properties.

(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.

(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased from 185,000 square feet at December 31, 2011 to 86,000 square feet at December 31, 2012.

Overall leased space (occupied plus committed) decreased from 94.7% at December 31, 2011 to 93.2% at December 31, 2012. This occupancy decrease is the result of lease expiries (primarily Walmart in Downsview Plaza, Halifax, Nova Scotia and Zellers in Amherst Centre, Amherst, Nova Scotia) and tenant terminations (primarily Hart in five locations); offset in part by new leases of 606,000 square feet and 1,337,000 square feet of acquisition activity in the year.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

As at December 31, 2012, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Freestanding	69	2,549,000	18.1%	19.9%	99.8%
Retail Plazas	76	6,307,000	44.9%	46.2%	94.3%
Retail Enclosed	11	2,291,000	16.3%	17.5%	87.1%
Portfolio sub-totals for retail	156	11,147,000	79.3%	83.6%	94.1%
Office	5	1,055,000	7.5%	6.0%	82.2%
Mixed Use	9	1,851,000	13.2%	10.4%	94.2%
Total	170	14,053,000	100.0%	100.0%	93.2%

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

As at December 31, 2011, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Freestanding	53	2,176,000	17.3%	17.9%	99.9%
Retail Plazas	60	5,196,000	41.2%	43.0%	95.8%
Retail Enclosed	12	2,458,000	19.5%	20.8%	94.2%
Portfolio sub-totals for retail	125	9,830,000	78.0%	81.7%	96.3%
Office	5	1,051,000	8.4%	7.1%	86.3%
Mixed Use	8	1,717,000	13.6%	11.2%	90.8%
Total	138	12,598,000	100.0%	100.0%	94.7%

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

Retail properties represent 79.3% of Crombie's GLA and 83.6% of annual minimum rent at December 31, 2012 compared to 78.0% of GLA and 81.7% of annual minimum rent at December 31, 2011, reflecting Crombie's growth strategy to focus primarily on retail properties.

Leased space in retail properties of 94.1% at December 31, 2012, has decreased from 96.3% at December 31, 2011, due to lease expiries (primarily Walmart in Downsview Plaza, Halifax, Nova Scotia and Zellers in Amherst Centre, Amherst Nova Scotia) and tenant terminations (primarily Hart in five locations); offset in part by new leasing and acquisition activity in 2012.

The following table sets out as of December 31, 2012, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Freestanding		Retail Plazas		Retail Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2013	–	–%	406,000	6.4%	341,000	14.9%
2014	–	–%	250,000	4.0%	167,000	7.3%
2015	9,000	0.4%	324,000	5.1%	86,000	3.8%
2016	6,000	0.2%	398,000	6.3%	182,000	7.9%
2017	11,000	0.4%	263,000	4.2%	271,000	11.8%
Thereafter	2,519,000	98.8%	4,310,000	68.3%	948,000	41.3%
Total	2,545,000	99.8%	5,951,000	94.3%	1,995,000	87.0%

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

Year	Office		Mixed Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2013	62,000	5.9%	367,000	19.8%	1,176,000	8.4%
2014	89,000	8.4%	199,000	10.7%	705,000	5.0%
2015	70,000	6.6%	242,000	13.1%	731,000	5.2%
2016	62,000	5.9%	124,000	6.7%	772,000	5.5%
2017	130,000	12.3%	177,000	9.6%	852,000	6.1%
Thereafter	455,000	43.1%	634,000	34.3%	8,866,000	63.0%
Total	868,000	82.2%	1,743,000	94.2%	13,102,000	93.2%

Of the 10,491,000 square feet of retail properties under lease, 7,975,000 square feet, or 76.0% is scheduled for maturity after 2017. This long-term stability in lease maturities is primarily driven by the longer term nature of the Sobeys leases.

In the office and mixed use properties, lease maturities after 2017 represents 41.7% of the leased square footage.

The following table sets out the average rent per square foot expiring during the periods indicated.

Year	Retail Freestanding	Retail Plazas	Retail Enclosed	Office	Mixed Use	Total
2012	$ –	$ 11.93	$ 13.68	$ 12.02	$ 10.70	$ 11.98
2013	$ –	$ 12.47	$ 10.64	$ 13.84	$ 9.06	$ 10.95
2014	$ –	$ 14.69	$ 24.26	$ 12.86	$ 10.93	$ 15.66
2015	$ 25.32	$ 15.14	$ 22.49	$ 12.11	$ 12.84	$ 14.77
2016	$ 29.00	$ 14.41	$ 19.37	$ 13.21	$ 7.69	$ 14.52
2017	$ 21.56	$ 17.63	$ 19.60	$ 18.46	$ 13.60	$ 17.60
Thereafter	$ 15.46	$ 15.24	$ 15.49	$ 11.11	$ 12.67	$ 14.93
Total as at Dec. 2012	$ 15.55	$ 15.07	$ 16.61	$ 12.82	$ 11.48	$ 14.77
Total as at Dec. 2011	$ 14.03	$ 14.21	$ 14.64	$ 12.34	$ 11.92	$ 13.82

FINANCIAL RESULTS

Comparison to Previous Years

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**As at Dec. 31, 2012**	As at Dec. 31, 2011	As at Dec. 31, 2010
Total assets	**$ 2,135,620**	$ 1,728,782	$ 1,589,236
Total investment property debt and convertible debentures	**$ 1,185,940**	$ 1,002,358	$ 947,560
Debt to gross book value(1)	**50.0%**	52.5%	54.8%

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

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)		**Year Ended Dec. 31, 2012**		Year Ended Dec. 31, 2011		Year Ended Dec. 31, 2010
				(As restated)		(As restated)
Property revenue	**$**	**256,022**	$	226,138	$	209,437
Property operating expenses		**92,722**		84,202		79,300
Property NOI		**163,300**		141,936		130,137
NOI margin percentage		**63.8%**		62.8%		62.1%
Other items:						
Lease terminations		**3,844**		168		347
Depreciation and amortization		**(44,570)**		(31,387)		(31,246)
General and administrative expenses		**(13,330)**		(10,654)		(9,762)
Operating income before finance costs and taxes		**109,244**		100,063		89,476
Finance costs – operations		**(69,409)**		(62,148)		(58,410)
Operating income before taxes		**39,835**		37,915		31,066
Taxes – deferred		**(100)**		300		1,000
Operating income attributable to Unitholders		**39,735**		38,215		32,066
Finance costs – distributions to Unitholders		**(75,079)**		(61,283)		(56,090)
Finance costs – change in fair value of financial instruments		**(1,878)**		(8,644)		(5,205)
Decrease in net assets attributable to Unitholders	**$**	**(37,222)**	$	(31,712)	$	(29,229)
Operating income attributable to Unitholders per Unit, Basic and Diluted	**$**	**0.48**	$	0.56	$	0.51
Basic weighted average Units outstanding (in 000's)		**83,200**		68,251		62,802
Diluted weighted average Units outstanding (in 000's)		**83,385**		68,431		62,968
Distributions per Unit to Unitholders	**$**	**0.89**	$	0.89	$	0.89

Restatement of Financial Results

During the preparation of fourth quarter results for 2012, Crombie determined that the conversion feature and redemption option attached to the convertible debentures represent a financial liability requiring fair value measurement each reporting period, with any adjustment to fair value being recognized as an increase (decrease) in Net assets attributable to Unitholders. The embedded derivatives allow the debenture holder to convert the debenture to REIT Units at their discretion at the pre-determined conversion price and provides Crombie with a redemption option under certain conditions. Crombie's REIT Units are considered financial liabilities under IAS 32, and as such, the embedded derivatives are required to be accounted for separately from the host instrument (the convertible debenture). When convertible debentures are converted to REIT Units, both the host convertible debenture and the related conversion feature value are reclassified to REIT Units within Net assets attributable to Unitholders.

The financial results have been restated to retrospectively account for the fair value of the embedded derivatives from the issue date of each series of convertible debenture. The fair value adjustment is being accounted for as Finance costs – change in fair value of financial instruments on the statements of comprehensive income.

We have re-examined our internal controls over financial reporting (ICFR) and are satisfied that our previous disclosures regarding the design and operating effectiveness of ICFR are appropriate.

Throughout this MD&A, all references to "As restated" relate to the above retrospective restatement.

Operating income attributable to Unitholders for the year ended December 31, 2012 of $39,735 increased by $1,520 or 4.0% from $38,215 for the year ended December 31, 2011. The increase was primarily due to:

- higher property NOI caused by increased average rental rates and the impact of property acquisitions during 2011 and 2012; and
- higher lease termination income as discussed below.

Offset in part by:

- higher depreciation and amortization expense and finance costs in 2012 primarily related to property acquisitions;
- higher one-time finance costs of approximately $3,000, reduced in part by subsequent interest savings, related to mortgage refinancing as discussed below; and
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments in 2012.

FINANCIAL RESULTS (cont.)

During 2012, Crombie realized the following operating results which are considered non-recurring events:

- In September 2012, Crombie arranged the assignment of a portfolio of mortgages on 23 investment properties (the "Refinanced Mortgages") to a new lender. Concurrent with the assignment of the mortgages to the new lender, Crombie renegotiated the terms of the debt, refinancing them with a 30 month floating rate term credit facility. Included in Finance costs – operations are expenses of approximately $3,000 associated with this transaction (approximately $1,500 in cash costs related to legal fees, term loan set up fees and a repayment fee paid to the mortgage lender are included in same-asset finance costs and approximately $1,500 representing the unamortized balance of deferred financing and other costs previously paid in respect of the 2008 mortgage financing are included in Amortization of effective swaps and deferred financing charges). The mortgages, with a weighted average interest rate of 5.91% and terms to maturity from 2013 to 2017, totalled $92,397, while the floating rate term credit facility of $92,697 had an interest rate of 3.08% at December 31, 2012. The floating rate is based on bankers' acceptance rates plus a spread or prime rates plus a spread.
- In December 2012, Crombie reached agreement with a national retailer on the early termination of two leases resulting in lease termination income of $3,450. The two leases will terminate April 30, 2013, with the retailer paying rent until that date. Crombie's leasing and asset management staff are currently working on options for the space including replacement tenants and/or redevelopment opportunities for the properties.

Classification of Crombie REIT Units and Class B LP Units with Attached Special Voting Units (collectively the "Units")

On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011	Variance
Same-asset property revenue	**$ 205,216**	$ 200,350	$ 4,866
Acquisition, disposition and redevelopment property revenue	**50,806**	25,788	25,018
Property revenue	**$ 256,022**	$ 226,138	$ 29,884

Same-asset property revenue of $205,216 for the year ended December 31, 2012 was 2.4% higher than the year ended December 31, 2011 due to increased base rent driven by lease renewal activity, land use intensifications at several properties and recoveries as a result of higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $25,018 or 97.0% is due to higher acquisition and redevelopment activity in 2011 and 2012.

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011	Variance
Same-asset property operating expenses	**$ 74,725**	$ 72,529	$ (2,196)
Acquisition, disposition and redevelopment property operating expenses	**17,997**	11,673	(6,324)
Property operating expenses	**$ 92,722**	$ 84,202	$ (8,520)

Same-asset property expenses of $74,725 for the year ended December 31, 2012 increased by $2,196 or 3.0% from the year ended December 31, 2011 due primarily to higher recoverable property expenses.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Same-asset property NOI	**$ 130,491**	$ 127,821	$ 2,670
Acquisition, disposition and redevelopment property NOI	**32,809**	14,115	18,694
Property NOI	**$ 163,300**	$ 141,936	$ 21,364

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the year ended December 31, 2012 increased by $21,364 or 15.1% from the year ended December 30, 2011. The $2,670 or 2.1% increase in same-asset cash NOI for the year ended December 31, 2012 over the year ended December 31, 2011 is primarily the result of increased average rent per square foot from leasing activity as well as land use intensifications at several properties and improved recovery rates during the past 12 months. Acquisition, disposition and redevelopment property NOI results in the year ended December 31, 2012 increased by $18,694 compared to the same period in 2011. The increase relates to the significant acquisitions and completed redevelopment activity during 2011 and 2012.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Property NOI	**$ 163,300**	$ 141,936	$ 21,364
Non-cash straight-line rent	**(4,809)**	(3,619)	(1,190)
Non-cash tenant incentive amortization	**6,332**	5,169	1,163
Property cash NOI	**164,823**	143,486	21,337
Acquisition, disposition and redevelopment property cash NOI	**32,824**	14,720	18,104
Same-asset property cash NOI	**$ 131,999**	$ 128,766	$ 3,233

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The $3,233 or 2.5% increase in same-asset cash NOI for the year ended December 31, 2012 over the year ended December 31, 2011 is primarily the result of increased average rent per square foot from leasing activity as well as land use intensifications at several properties and improved recovery rates during the past 12 months.

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

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Acquisition and disposition property cash NOI	**$ 24,772**	$ 3,664	$ 21,108
Redevelopment property cash NOI	**8,052**	11,056	(3,004)
Total acquisition, disposition and redevelopment property cash NOI	**$ 32,824**	$ 14,720	$ 18,104

The significant growth in acquisition and disposition property cash NOI reflects the property acquisitions throughout 2011 and 2012.

Cash NOI from redevelopment properties decreased $3,004 or 27.2% for the year ended December 31, 2012 over the year ended December 31, 2011 as a result of redevelopment work at Barrington Tower in Halifax, Nova Scotia, Downsview Plaza in Halifax, Nova Scotia, Terminal Centres in Moncton, New Brunswick and Amherst Centre in Amherst, Nova Scotia. These properties have temporary vacancies as the redevelopment work proceeds. This was partially offset by the completion of redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

Crombie undertakes redevelopment of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

FINANCIAL RESULTS (cont.)

Property NOI for the year ended December 31, 2012 by province was as follows:

	2012				2011	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	Variance
Alberta	$ 8,736	$ 1,252	$ 7,484	85.7%	88.7%	(3.0)%
Manitoba	484	15	469	96.9%	–	–
New Brunswick	26,124	11,250	14,874	56.9%	58.2%	(1.3)%
Newfoundland and Labrador	35,633	10,753	24,880	69.8%	69.7%	0.1%
Nova Scotia	100,193	43,887	56,306	56.2%	56.0%	0.2%
Ontario	53,150	15,958	37,192	70.0%	66.2%	3.8%
Prince Edward Island	4,265	1,313	2,952	69.2%	71.3%	(2.1)%
Quebec	22,915	6,956	15,959	69.6%	70.9%	(1.3)%
Saskatchewan	4,522	1,338	3,184	70.4%	72.7%	(2.3)%
Total	$ 256,022	$ 92,722	$ 163,300	63.8%	62.8%	1.0%

The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions; in particular the acquisitions of additional freestanding properties which have a higher NOI percentage of revenue. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2012 results including a retail plaza acquired in the second quarter of 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties. The decrease in NOI as a percentage of revenue in Saskatchewan is primarily due to an increase in non-recoverable expenses. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011.

Depreciation and Amortization

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Same-asset depreciation and amortization	$ 32,447	$ 28,959	$ (3,488)
Acquisition, disposition and redevelopment depreciation and amortization	12,123	2,428	(9,695)
Depreciation and amortization	$ 44,570	$ 31,387	$ (13,183)

Same-asset depreciation and amortization in 2012 is impacted by a change in the estimated useful life of two investment properties. The change resulted in increased depreciation of $4,648 for the year ended December 31, 2012. Acquisition, disposition and redevelopment depreciation and amortization of $12,123 for the year ended December 31, 2012 was $9,695 higher than the year ended December 31, 2011. This increase is consistent with Crombie's acquisition activity in 2011 and the increased activity in 2012. Depreciation and amortization consists of:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Depreciation of investment properties	$ 38,095	$ 25,849	$ (12,246)
Amortization of intangible assets	5,888	5,026	(862)
Amortization of deferred leasing costs	587	512	(75)
Depreciation and amortization	$ 44,570	$ 31,387	$ (13,183)

General and Administrative Expenses

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Salaries and benefits	**$ 8,265**	$ 5,775	$ (2,490)
Professional fees	**1,254**	1,541	287
Public company costs	**1,434**	1,286	(148)
Rent and occupancy	**673**	787	114
Other	**1,704**	1,265	(439)
General and administrative expenses	**$ 13,330**	$ 10,654	$ (2,676)
As a percentage of property revenue	**5.2%**	4.7%	(0.5)%

General and administrative expenses, as a percentage of property revenue, increased by 0.5% for the year ended December 31, 2012 compared to the same period in 2011. Salaries and benefits increased due to the hiring of additional staff related to continued national growth and higher 2012 incentive payments. Other increases are primarily due to higher travel costs, training and development, increased Public company costs and costs associated with due diligence on potential property acquisitions.

Finance Costs – Operations

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Same-asset finance costs	**$ 46,855**	$ 49,787	$ 2,932
Acquisition, disposition and redevelopment finance costs	**13,130**	5,013	(8,117)
Amortization of effective swaps and deferred financing charges	**9,424**	7,348	(2,076)
Finance costs – operations	**$ 69,409**	$ 62,148	$ (7,261)

Same-asset finance costs for the year ended December 31, 2012 decreased by $2,932 or 5.9% compared to the year ended December 31, 2011 primarily due to: the maturity of the interest rate swap agreement in July 2011 on the revolving credit facility resulting in greater utilization of lower cost floating rate debt; interest savings from conversions of convertible debentures; and the interest savings commencing in the fourth quarter of 2012 realized from the Refinanced Mortgages; offset in part by the approximately $1,500 in cash costs incurred in the third quarter of 2012 related to the refinancing.

Approximately $1,500 of the $2,076 increase in amortization of effective swaps and deferred financing charges in the year ended December 31, 2012 compared to the same period in 2011 relates to the refinancing of $92,397 of fixed rate mortgages. These mortgages had maturity dates ranging from 2013 to 2017 and all remaining deferred charges were expensed during 2012. The mortgages were replaced in the third quarter of 2012 by a 30 month floating rate term credit facility.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $3,790 over that period. The amount of interest rate subsidy received during the year ended December 31, 2012 was $1,047 (year ended December 31, 2011 – $1,268).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2011 and 2012.

Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2011 and 2012 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability represents the future tax provision for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

FINANCIAL RESULTS (cont.)

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2012 Same-asset	Year Ended December 31, 2012 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2012 Total	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total
Property revenue	$ 32,740	$ 8,266	$ 41,006	$ 32,173	$ 1,430	$ 33,603
Property operating expenses	6,362	795	7,157	5,637	109	5,746
Property NOI	$ 26,378	$ 7,471	$ 33,849	$ 26,536	$ 1,321	$ 27,857
NOI Margin %	80.6%	90.4%	82.5%	82.5%	92.4%	82.9%
Actual occupancy %	99.8%	100.0%	99.9%	99.7%	100.0%	99.8%

Same-asset NOI Margin percentage is lower in 2012 due to an increase in expenses paid by Crombie and recovered from tenants. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2011 primarily due to the acquisition of 16 freestanding properties during 2012.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2012 Same-asset	Year Ended December 31, 2012 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2012 Total	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total
Property revenue	$ 79,951	$ 32,008	$ 111,959	$ 79,055	$ 10,944	$ 89,999
Property operating expenses	27,282	9,676	36,958	26,586	3,700	30,286
Property NOI	$ 52,669	$ 22,332	$ 75,001	$ 52,469	$ 7,244	$ 59,713
NOI Margin %	65.9%	69.8%	67.0%	66.4%	66.2%	66.3%
Actual occupancy %	92.9%	94.5%	93.4%	94.7%	98.3%	95.3%

Same-asset property NOI was impacted by improved recovery rates compared to the same period in 2011, offset in part by reduced occupancy in 2012. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2011 primarily due to the acquisition of 15 retail plaza properties in 2012.

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2012 Same-asset	Year Ended December 31, 2012 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2012 Total	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total
Property revenue	$ 44,051	$ 2,030	$ 46,081	$ 42,509	$ 2,479	$ 44,988
Property operating expenses	15,883	1,221	17,104	15,494	1,271	16,765
Property NOI	$ 28,168	$ 809	$ 28,977	$ 27,015	$ 1,208	$ 28,223
NOI Margin %	63.9%	39.9%	62.9%	63.6%	48.7%	62.7%
Actual occupancy %	91.2%	47.8%	86.9%	94.3%	90.7%	93.7%

Same-asset property revenue increased by $1,542 or 3.6% while NOI increased by $1,153 or 4.3% compared to the same period in 2011. This growth can be attributed to rental rate increases and land use intensification development offset in part by reduced occupancy and property operating expense increases of $389 or 2.5% from 2011 to 2012.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2012 Same-asset	Year Ended December 31, 2012 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2012 Total	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total
Property revenue	**$ 16,351**	**$ 4,450**	**$ 20,801**	$ 15,467	$ 7,067	$ 22,534
Property operating expenses	**8,389**	**4,320**	**12,709**	8,376	4,673	13,049
Property NOI	**$ 7,962**	**$ 130**	**$ 8,092**	$ 7,091	$ 2,394	$ 9,485
NOI Margin %	**48.7%**	**2.9%**	**38.9%**	45.8%	33.9%	42.1%
Actual occupancy %	**92.9%**	**61.9%**	**81.5%**	88.8%	46.7%	73.2%

Same-asset property revenue increased by $884 or 5.7% while NOI increased by $871 or 12.3% compared to the year ended 2011. The improved results are primarily due to higher occupancy rates and higher recovery rates. The property NOI results for acquisitions, dispositions and redevelopment properties is impacted by the temporary vacancies in Barrington Tower in Halifax, Nova Scotia during its redevelopment, and Terminal Centres in Moncton, New Brunswick which is being redeveloped. Commencing in the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue earned from property office tenants for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed use properties to office properties.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2012 Same-asset	Year Ended December 31, 2012 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2012 Total	Year Ended December 31, 2011 Same-asset	Year Ended December 31, 2011 Acquisitions, Dispositions & Redevelopments	Year Ended December 31, 2011 Total
Property revenue	**$ 32,123**	**$ 4,052**	**$ 36,175**	$ 31,146	$ 3,868	$ 35,014
Property operating expenses	**16,809**	**1,985**	**18,794**	16,436	1,920	18,356
Property NOI	**$ 15,314**	**$ 2,067**	**$ 17,381**	$ 14,710	$ 1,948	$ 16,658
NOI Margin %	**47.7%**	**51.0%**	**48.0%**	47.2%	50.4%	47.6%
Actual occupancy %	**92.3%**	**95.9%**	**93.4%**	93.7%	80.9%	90.7%

Same-asset property revenue increased by $977 or 3.1% while NOI increased by $604 or 4.1% compared to the year ended 2011. These improved results can be attributed to higher recovery rates and parking revenue, most notably at Park Lane in Halifax, Nova Scotia. As noted above under Office Properties, Crombie has reclassified monthly parking revenue.

OTHER 2012 PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Operating income attributable to Unitholders	**$ 39,735**	$ 38,215
Operating income attributable to Unitholders per Unit – Basic	**$ 0.48**	$ 0.56
Operating income attributable to Unitholders per Unit – Diluted	**$ 0.48**	$ 0.56
FFO – Basic	**$ 90,737**	$ 74,471
FFO – Diluted	**$ 97,812**	$ 83,168
FFO per Unit – Basic	**$ 1.09**	$ 1.09
FFO per Unit – Diluted	**$ 1.06**	$ 1.04
Excluding the impact of Refinanced Mortgages and lease termination settlement:[1]		
FFO per Unit – Basic	**$ 1.09**	$ 1.09
FFO per Unit – Diluted	**$ 1.06**	$ 1.04
AFFO – Basic	**$ 76,605**	$ 60,051
AFFO – Diluted	**$ 82,192**	$ 64,062
AFFO per Unit – Basic	**$ 0.92**	$ 0.88
AFFO per Unit – Diluted	**$ 0.90**	$ 0.86
Excluding the impact of Refinanced Mortgages and lease termination settlement:[1]		
AFFO per Unit – Basic	**$ 0.91**	$ 0.88
AFFO per Unit – Diluted	**$ 0.89**	$ 0.86

(1) As discussed under Financial Results, Crombie refinanced mortgages during 2012, resulting in refinancing expenses. In addition, Crombie recognized lease termination income from a national retailer for early termination of two leases.

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments and represents the most equivalent measure to net income available to all Unitholders, the measure commonly referred to where units are classified as equity instruments.

The diluted FFO and AFFO are calculated by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

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

	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Basic number of Units for all measures	**83,200,062**	68,250,912
Diluted for operating income attributable to Unitholders purposes	**83,384,642**	68,431,285
Diluted for FFO purposes	**92,315,359**	79,644,833
Diluted for AFFO purposes	**90,830,978**	74,397,118

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

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

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
		(As restated)
Operating income attributable to Unitholders	**$ 39,735**	$ 38,215
Finance costs – distributions to Unitholders	**(75,079)**	(61,283)
Finance costs – change in fair value of financial instruments	**(1,878)**	(8,644)
Decrease in net assets attributable to Unitholders	**$ (37,222)**	$ (31,712)

FFO and AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-IFRS financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-IFRS industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-IFRS measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALpac") in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for gains or losses from sales of investment properties, depreciation and amortization expense, deferred taxes, impairment losses (or reversals) on investment properties, effects of puttable instruments classified as financial liabilities and transaction costs expensed on an investment property acquisition accounted for as a business combination. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A calculation of FFO for the year ended December 31, 2012 and December 31, 2011 is as follows:

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011	Variance
		(As restated)	
Decrease in net assets attributable to Unitholders	**$ (37,222)**	$ (31,712)	$ (5,510)
Add (deduct):			
Finance costs – distributions to Unitholders	**75,079**	61,283	13,796
Finance costs – change in fair value of financial instruments	**1,878**	8,644	(6,766)
Amortization of tenant incentives	**6,332**	5,169	1,163
Depreciation of investment properties	**38,095**	25,849	12,246
Amortization of intangible assets	**5,888**	5,026	862
Amortization of deferred leasing costs	**587**	512	75
Taxes – deferred	**100**	(300)	400
FFO	**$ 90,737**	$ 74,471	$ 16,266

The FFO for the year ended December 31, 2012 was $90,737, an increase of $16,266 or 21.8% over the same period in 2011.

The improved FFO results are primarily due to:

- higher NOI results derived from significant acquisition activity in 2012 and 2011 and solid same-asset NOI results; and
- higher lease termination income

Offset in part by:

- increased general and administrative expenses; and
- increased operating finance costs related to acquisitions

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a measure useful in evaluating the recurring economic performance of Crombie's operating activities which will be used to support future distribution payments. AFFO reflects cash available for distribution after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

OTHER 2012 PERFORMANCE MEASURES (cont.)

Maintenance Capital Expenditures, Maintenance TI and Deferred Leasing Costs ("Maintenance Expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $1.05 per square foot to be charged against AFFO for 2012 and $1.10 per square foot for 2011. The change in rate from 2011 to 2012 reflects the growth in newer properties within the portfolio in the current and subsequent periods. Newer properties typically incur lower levels of such Maintenance expenditures. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year. The calculation of AFFO for the year ended December 31, 2012 and 2011 is as follows:

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011	Variance
FFO	**$ 90,737**	$ 74,471	$ 16,266
Add (deduct):			
Amortization of effective swap agreements	**4,808**	4,327	481
Straight-line rent adjustment	**(4,809)**	(3,619)	(1,190)
Settlement of effective swap agreement	**–**	(1,731)	1,731
Maintenance expenditures on a square footage basis	**(14,131)**	(13,397)	(734)
AFFO	**$ 76,605**	$ 60,051	$ 16,554

The AFFO for the year ended December 31, 2012 was $76,605, an increase of $16,554 or 27.6% over the same period in 2011, due primarily to the improved FFO results as previously discussed and the unfavourable swap agreement settlement in the year ended December 31, 2011.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011	Variance
Cash provided by (used in) operating activities	**$ 30,269**	$ 20,022	$ 10,247
Add back (deduct):			
Finance costs – distributions to Unitholders	**75,079**	61,283	13,796
Settlement of effective swap agreement	**–**	(1,731)	1,731
Change in other non-cash operating items	**(9,960)**	(3,058)	(6,902)
Unit-based compensation expense	**(36)**	(47)	11
Amortization of deferred financing charges	**(4,616)**	(3,021)	(1,595)
Maintenance expenditures on a square footage basis	**(14,131)**	(13,397)	(734)
AFFO	**$ 76,605**	$ 60,051	$ 16,554

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the finance costs on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to finance future growth: secured short-term financing through an authorized revolving credit facility of up to $200,000, subject to available borrowing base, of which $30,405 ($41,734 including outstanding letters of credit) was drawn at December 31, 2012; the issue of new units; mortgage and term debt on unencumbered assets; and, unsecured convertible debentures.

Crombie's sources and uses of funds are summarized as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Operating activities	**$ 30,269**	$ 20,022	$ 10,247
Financing activities	**$ 301,864**	$ 134,273	$ 167,591
Investing activities	**$ (332,187)**	$ (159,411)	$ (172,776)

Operating Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	**$ 20,309**	$ 16,964	$ 3,345
Non-cash operating items	**9,960**	3,058	6,902
Cash provided by operating activities	**$ 30,269**	$ 20,022	$ 10,247

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Net issue (repayment) of loans and borrowings	**$ 71,173**	$ 62,392	$ 8,781
Net issue of convertible debentures	**54,580**	–	54,580
Net issue of units	**175,181**	72,577	102,604
Settlement of interest rate swap agreement	**–**	(1,731)	1,731
Other items (net)	**930**	1,035	(105)
Cash provided by financing activities	**$ 301,864**	$ 134,273	$ 167,591

Cash from financing activities in the year ended December 31, 2012 increased by $167,591 over the year ended December 31, 2011. During the year ended December 31, 2012, Crombie raised cash to finance the acquisitions of investment properties through: the issuance of units; mortgage financing; net issuance of convertible debentures; and, use of Crombie's revolving credit facility.

Investing Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Acquisition of investment properties	**$ (292,084)**	$ (135,360)	$ (156,724)
Proceeds on disposal of investment properties	**–**	7,000	(7,000)
Additions to investment properties	**(25,289)**	(21,863)	(3,426)
Additions to tenant incentives	**(14,113)**	(8,771)	(5,342)
Additions to deferred leasing costs	**(982)**	(686)	(296)
Other items (net)	**281**	269	12
Cash used in investing activities	**$ (332,187)**	$ (159,411)	$ (172,776)

Cash used in investing activities for the year ended December 31, 2012 was $332,187. The increase of $172,776 over 2011 is reflective of the significant investment property acquisitions primarily in the second quarter of 2012; increased additions to existing properties; and, increased tenant incentives related to leasing activity.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Tenant Improvement ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a new space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Total additions to investment properties	$ 25,289	$ 21,863
Less: productive capacity enhancements and recoverable amounts	(18,928)	(16,084)
Maintenance capital expenditures	$ 6,361	$ 5,779

(In thousands of CAD dollars)	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
Total additions to TI and deferred leasing costs	$ 15,095	$ 9,457
Less: productive capacity enhancements	(1,719)	(1,399)
Maintenance TI and deferred leasing costs	$ 13,376	$ 8,058

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the year ended December 31, 2012, are primarily payments for costs associated with tenant relocations, building interior and exterior maintenance, roof replacements and completion of parking deck and structural repairs at the Scotia Square Parkade in Halifax, Nova Scotia.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2012, with the most significant costs related to the preparation of office space in Barrington Tower, Halifax, Nova Scotia for new tenants including the provincial Department of Health and Wellness.

Productive capacity enhancements during the year ended December 31, 2012, consisted primarily of GLA expansions underway or completed at Avalon Mall in St. John's, Newfoundland and Labrador, Niagara Plaza in Niagara Falls, Ontario, Millwoods in Edmonton, Alberta, Taunton & Wilson Plaza in Oshawa, Ontario, Highland Square Mall in New Glasgow, Nova Scotia and Beauport Plaza in Beauport, Quebec; redevelopment work at Downsview Plaza in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick; as well as completion of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia.

Capital Structure

(In thousands of CAD dollars)	December 31, 2012		December 31, 2011		December 31, 2010	
				(As restated)		(As restated)
Investment property debt	**$ 1,065,411**	**54.2%**	$ 878,007	55.9%	$ 799,127	55.4%
Convertible debentures	**120,529**	**6.1%**	124,351	7.9%	148,433	10.3%
Special Voting Units and Class B Limited Partnership Unitholders	**311,254**	**15.8%**	247,570	15.8%	230,127	16.0%
Crombie REIT Unitholders	**470,747**	**23.9%**	321,288	20.4%	264,680	18.3%
	$ 1,967,941	**100.0%**	$ 1,571,216	100.0%	$ 1,442,367	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $200,000 (the "revolving credit facility"), of which $30,405 ($41,734 including outstanding letters of credit) was drawn as at December 31, 2012. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate. The spread or specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility, are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2012, Crombie had sufficient Borrowing Base to permit $200,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of December 31 2012, Crombie had fixed rate mortgages outstanding of $949,571 ($958,525 after including the fair value debt adjustment of $8,954), carrying a weighted average interest rate of 5.21% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.4 years.

As of December 31, 2012, Crombie had a floating rate term credit facility of $92,695. The term credit facility is secured by specific properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
Year	Fixed Rate Debt	Floating Rate Debt	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2013	$ 34,154	$ –	$ 34,154	4.3%	$ 30,941	$ 65,095	6.1%
2014	77,696	–	77,696	9.7%	29,487	107,183	10.1%
2015	55,680	123,100	178,780	22.4%	28,721	207,501	19.5%
2016	41,989	–	41,989	5.2%	25,879	67,868	6.4%
2017	38,757	–	38,757	4.9%	22,249	61,006	5.7%
Thereafter	427,416	–	427,416	53.5%	127,648	555,064	52.2%
Total(1)	$ 675,692	$ 123,100	$ 798,792	100.0%	$ 264,925	$ 1,063,717	100.0%

(1) Excludes fair value debt adjustment of $8,954 and deferred financing costs of $7,260.

Of the maturing debt balances, only 24.8% of fixed rate debt, and 36.4% of total maturing debt balances matures over the next three years.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Convertible Debentures

(In thousands of CAD dollars, except per unit amounts)	7%	Series B	Series C	Series D
Issue value	$ 30,000	$ 85,000	$ 45,000	$ 60,000
Outstanding amount as at December 31, 2012	$ –	$ 18,679	$ 45,000	$ 60,000
Annual interest rate (payable semi-annually)	7.00%	6.25%	5.75%	5.00%
Conversion price per Unit	$ 13.00	$ 11.00	$ 15.30	$ 20.10
Issue date	March 20, 2008	Sept. 30, 2009	February 8, 2010	July 3, 2012
Maturity date	March 20, 2013	June 30, 2015	June 30, 2017	Sept. 30, 2019
Trading symbol	CRR.DB	CRR.DB.B	CRR.DB.C	CRR.DB.D

The Series B Debentures and the Series C Debentures pay interest semi-annually on June 30 and December 31 of each year; the Series D Debentures pay interest semi-annually on March 31 and September 30 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

The Series B Debentures, the Series C Debentures and the Series D Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars principal amount of approximately: 90.9091 REIT Units for Series B Convertible Debentures, 65.3595 REIT Units for Series C Convertible Debentures; and, 49.7512 REIT Units for Series D Convertible Debentures. If all conversion rights attaching to the Series B Convertible Debentures, the Series C Convertible Debentures and the Series D Convertible Debentures were exercised, as at December 31, 2012, Crombie would be required to issue approximately 1,698,090 REIT Units, 2,941,176 REIT Units and 2,985,074 REIT Units respectively, subject to anti-dilution adjustments.

The following represents debentures converted and redeemed from date of issue to January 31, 2013:

Conversion (Redemption) Date	Convertible Debenture Series	Debentures Face Value (In thousands of CAD dollars)	Units Issued
January 2010 through December 2011	7%	$ 15	1,153
January 2010 through December 2011	Series B	32,521	2,956,429
Conversions to December 31, 2011		32,536	2,957,582
January through March 2012	7%	440	33,843
January through March 2012	Series B	1,953	177,543
April through June 2012	7%	25,838	1,987,530
April through June 2012 (redemption)	7%	3,707	–
April through June 2012	Series B	2,546	231,450
July through September 2012	Series B	27,988	2,544,356
October 2012	Series B	510	46,361
November 2012	Series B	552	50,181
December 2012	Series B	251	22,817
Conversions and redemptions to December 31, 2012		96,321	8,051,663
January 2013	Series B	203	18,453
Conversions and redemptions to January 31, 2013		$ 96,524	8,070,116

For the first three years from the date of issue, there is no ability to redeem the Debentures, after which, each series of Debentures has a period, lasting one year, during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the four year period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures"). The Series D Debentures have an interest rate of 5.00% per annum and pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. The Series D Debentures mature on September 30, 2019. Empire has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECLD's pre-emptive right with respect to the Series D Debenture offering.

On April 18, 2012, Crombie exercised its right to redeem the remaining outstanding principal amount of its 7.00% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms of the Trust Indenture. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on a conversion price of $13.00 per Unit, or approximately 76.9231 units of Crombie for each one thousand dollars principal amount, until May 22, 2012. The redemption of the balance of the outstanding 7% Debentures was completed on May 23, 2012 for a total payment of approximately $3,707 on account of principal plus accrued interest.

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

On December 14, 2012, Crombie closed a public offering, on a bought deal basis, of 2,408,000 REIT Units, at a price of $14.75 per REIT Unit for gross proceeds of $35,518. Concurrently with the issue of the REIT Units, ECLD purchased 1,659,661 Class B LP Units and the attached Special Voting Units at a price of $14.75 per Class B LP Unit for gross proceeds of $24,280, on a private placement basis.

On March 29, 2012, Crombie closed a public offering, on a bought deal basis, of 4,630,000 REIT Units at a price of $14.50 per REIT Unit for gross proceeds of $67,135. Concurrently with the issue of the REIT Units, ECLD purchased 3,655,200 Class B LP Units and the attached Special Voting Units at a price of $14.50 per Class B LP Unit for gross proceeds of $53,000, on a private placement basis.

In March 2012 there were 28,893 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2011 – 21,417 REIT Units).

For the year ended December 31, 2012, a total of $26,278 of 7% and $33,800 of 6.25% Series B Debentures were converted for a total of 5,094,081 REIT Units. For the year ended December 31, 2011, a total of $25,784 of 6.25% Series B Debentures was converted for a total of 2,343,981 REIT Units.

On October 20, 2011, Crombie closed a public offering, on a bought deal basis, of 3,510,000 REIT Units at a price of $12.85 per REIT Unit for gross proceeds of $45,103. Concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for gross proceeds of $30,000, on a private placement basis.

Total units outstanding at January 31, 2013 were as follows:

Units	53,361,308
Special Voting Units[1]	38,430,221

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 38,430,221 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

Taxation of Distributions

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to unitholders.

(In thousands of CAD dollars, except per unit amounts)

LIQUIDITY AND CAPITAL RESOURCES (cont.)

The following table summarizes the history of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2011 per $ of distribution	62.5%	37.5%	–
2010 per $ of distribution	64.7%	35.3%	–
2009 per $ of distribution	51.0%	49.0%	–
2008 per $ of distribution	27.2%	72.7%	0.1%
2007 per $ of distribution	25.5%	74.4%	0.1%
2006 per $ of distribution	40.0%	60.0%	–

Borrowing Capacity and Debt Covenants

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain coverage ratios above prescribed levels:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of Distributable Income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any negative mark-to-market position on any interest rate swap agreements or other hedging instruments plus any outstanding letters of credit may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2012, the remaining amount available under the revolving credit facility was $169,595 (prior to reduction for standby letters of credit outstanding of $11,329) and was not limited by the Aggregate Coverage Amount.

At December 31, 2012, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus investment property debt and convertible debentures. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

The debt to gross book value was 50.0% at December 31, 2012 compared to 52.5% at December 31, 2011. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as outlined by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	**As at Dec. 31, 2012**	As at Sep. 30, 2012	As at Jun. 30, 2012	As at Mar. 31, 2012	As at Dec. 31, 2011
Fixed rate mortgages	**$ 949,571**	$ 918,403	$ 995,893	$ 850,626	$ 845,490
Convertible debentures	**123,679**	124,992	92,980	125,071	127,464
Revolving credit facility	**30,405**	62,558	109,000	30,000	40,000
Term credit facility	**92,695**	92,697	–	–	–
Total debt outstanding	**1,196,350**	1,198,650	1,197,873	1,005,697	1,012,954
Less: Applicable fair value debt adjustment	**(3,791)**	(4,038)	(4,296)	(4,562)	(4,837)
Debt	**$ 1,192,559**	$ 1,194,612	$ 1,193,577	$ 1,001,135	$ 1,008,117
Investment properties, cost	**$ 2,158,474**	$ 2,096,476	$ 2,059,495	$ 1,759,684	$ 1,742,650
Below-market lease component, cost(1)	**62,753**	62,923	61,728	58,468	58,064
Intangible assets, cost	**73,853**	72,404	70,892	60,991	60,648
Notes receivable	**2,545**	2,743	2,946	3,154	3,367
Other assets, cost(2)	**119,031**	114,066	115,484	106,992	89,163
Cash and cash equivalents	**–**	–	142	82,791	54
Deferred financing charges	**10,410**	10,525	10,299	10,126	10,596
Interest rate subsidy	**(3,791)**	(4,038)	(4,296)	(4,562)	(4,837)
Fair value adjustment to deferred taxes	**(39,245)**	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	**$ 2,384,030**	$ 2,315,854	$ 2,277,445	$ 2,038,399	$ 1,920,460
Debt to gross book value	**50.0%**	51.6%	52.4%	49.1%	52.5%
Maximum borrowing capacity(3)	**65%**	65%	65%	65%	65%

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

(2) Other assets as per financial statements adjusted for accumulated amortization of tenant incentives and assets related to derecognized property.

(3) Maximum permitted by the Declaration of Trust.

Crombie, through the issuance of convertible debentures, mortgage financings, refinancings and bank debt continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2012 were 2.61 times EBITDA and 1.76 times EBITDA. This compares to 2.49 times EBITDA and 1.79 times EBITDA respectively for the year ended December 31, 2011. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

(In thousands of CAD dollars, except as otherwise noted)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Property revenue	**$ 256,022**	$ 226,138
Amortization of tenant incentives	**6,332**	5,169
Adjusted property revenue	**262,354**	231,307
Property operating expenses	**(92,722)**	(84,202)
General and administrative expenses	**(13,330)**	(10,654)
EBITDA (1)	**$ 156,302**	$ 136,451
Finance costs – operations	**$ 69,409**	$ 62,148
Amortization of deferred financing charges	**(4,616)**	(3,021)
Amortization of effective swap agreements	**(4,808)**	(4,327)
Adjusted interest expense (2)	**$ 59,985**	$ 54,800
Debt repayments	**$ 119,556**	$ 40,933
Amortization of fair value debt premium	**(1,210)**	(141)
Payments relating to interest rate subsidy	**(1,047)**	(1,268)
Payments relating to revolving credit facility	**(88,595)**	(10,000)
Balloon payments on mortgages	**–**	(8,071)
Adjusted debt repayments (3)	**$ 28,704**	$ 21,453
Interest service coverage ratio {(1)/(2)}	**2.61**	2.49
Debt service coverage ratio {(1)/((2)+(3))}	**1.76**	1.79

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

(In thousands of CAD dollars, except as otherwise noted)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Distributions to Unitholders	**$ 42,771**	$ 33,368
Distributions to Special Voting Unitholders	**32,308**	27,915
Total distributions	**$ 75,079**	$ 61,283
FFO payout ratio	**82.7%**	82.3%
AFFO payout ratio (target ratio = 95%)	**98.0%**	102.1%
Excluding the impact of Refinanced Mortgages and lease termination settlement:[1]		
FFO payout ratio	**83.1%**	82.3%
AFFO payout ratio	**99.5%**	102.1%

(1) As discussed under Financial Results, Crombie refinanced mortgages during 2012, resulting in refinancing expenses. In addition, Crombie recognized lease termination income from a national retailer for early termination of two leases.

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
		(As restated)	
Property revenue	$ 68,470	$ 58,682	$ 9,788
Property operating expenses	25,354	22,528	(2,826)
Property NOI	43,116	36,154	6,962
NOI margin percentage	63.0%	61.6%	1.4%
Other items:			
Lease terminations	3,458	5	3,453
Depreciation and amortization	(12,493)	(8,302)	(4,191)
General and administrative expenses	(4,117)	(2,806)	(1,311)
Operating income before finance costs and taxes	29,964	25,051	4,913
Finance costs – operations	(16,639)	(14,978)	(1,661)
Operating income before taxes	13,325	10,073	3,252
Taxes – deferred	(1,500)	600	(2,100)
Operating income attributable to Unitholders	11,825	10,673	1,152
Finance costs – distributions to Unitholders	(19,809)	(16,530)	(3,279)
Finance costs – change in fair value of financial instruments	3,984	(6,417)	10,401
Decrease in net assets attributable to Unitholders	$ (4,000)	$ (12,274)	$ 8,274
Operating income attributable to Unitholders per Unit, Basic and Diluted	$ 0.13	$ 0.15	
Basic weighted average Units outstanding (in 000's)	88,252	72,897	
Diluted weighted average Units outstanding (in 000's)	88,438	73,078	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22	

Operating income attributable to Unitholders for the three months ended December 31, 2012 of $11,825 increased by $1,152 or 10.8% from $10,673 for the three months ended December 31, 2011. The increase was primarily due to:

- higher property NOI caused by increased average rental rates, land use intensifications at several properties, lower occupancy rates and the impact of property acquisitions during 2011 and 2012; and
- higher lease termination income.

Offset in part by:

- higher depreciation and amortization expense and finance costs in 2012 primarily related to property acquisitions; and
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments in 2012.

During 2012, Crombie realized the following operating results which are considered non-recurring:

- In December 2012, Crombie reached agreement with a national retailer on the early termination of two leases resulting in lease termination income of $3,450. The two leases will terminate April 30, 2013, with the retailer paying rent until that date. Crombie's leasing and asset management staff are currently working on options for the space including replacement tenants and/or redevelopment opportunities for the properties.

FOURTH QUARTER RESULTS (cont.)

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Same-asset property revenue	$ 52,512	$ 51,121	$ 1,391
Acquisition, disposition and redevelopment property revenue	15,958	7,561	8,397
Property revenue	$ 68,470	$ 58,682	$ 9,788

Acquisition, disposition and redevelopment property revenue growth of $8,397 or 111.1% is due to acquisition and redevelopment activity in the second half of 2011 and the significant acquisitions of properties in 2012.

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Same-asset property operating expenses	$ 20,137	$ 19,401	$ (736)
Acquisition, disposition and redevelopment property operating expenses	5,217	3,127	(2,090)
Property operating expenses	$ 25,354	$ 22,528	$ (2,826)

Same-asset property expenses of $20,137 for the three months ended December 31, 2012 increased by $736 or 3.8% from the three months ended December 31, 2011 due primarily to higher recoverable property expenses.

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Same-asset property NOI	$ 32,375	$ 31,720	$ 655
Acquisition, disposition and redevelopment property NOI	10,741	4,434	6,307
Property NOI	$ 43,116	$ 36,154	$ 6,962

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended December 31, 2012 increased by $6,962 or 19.3% from the three months ended December 31, 2011. Growth in same-asset property NOI of $655 represented a 2.1% increase over the three months ended December 31, 2011 and reflected increased average rent per square foot from leasing activity, land use intensification at several properties and improved recovery rates during the last 12 months. Crombie's acquisition activity late in 2011 and throughout 2012 resulted in significant growth in property operating results in the three months ended December 31, 2012 compared to the same period in 2011.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Property NOI	$ 43,116	$ 36,154	$ 6,962
Non-cash straight-line rent	(1,245)	(1,004)	(241)
Non-cash tenant incentive amortization	1,533	1,333	200
Property cash NOI	43,404	36,483	6,921
Acquisition, disposition and redevelopment property cash NOI	10,645	4,504	6,141
Same-asset property cash NOI	$ 32,759	$ 31,979	$ 780

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The $780 or 2.4% increase in same-asset cash NOI for the three months ended December 31, 2012 over December 31, 2011 is primarily the result of increased average rent per square foot from leasing activity, land use intensifications at several properties and improved recovery rates during the past 12 months.

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

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	**Three Months Ended Dec. 31, 2012**	Three Months Ended Dec. 31, 2011	Variance
Acquisition and disposition property cash NOI	**$ 8,483**	$ 1,753	$ 6,730
Redevelopment property cash NOI	**2,162**	2,751	(589)
Total acquisition, disposition and redevelopment property cash NOI	**$ 10,645**	$ 4,504	$ 6,141

The significant growth in acquisition and disposition property NOI reflects the high property acquisition activity in 2012 and 2011.

Cash NOI for redevelopment properties decreased $589 or 21.4% for the three months ended December 31, 2012 over December 31, 2011 as a result of timing of redevelopment work at Downsview Plaza in Halifax, Nova Scotia, Terminal Centres in Moncton, New Brunswick and Amherst Centre in Amherst, Nova Scotia. These properties have temporary vacancies as the redevelopment work proceeds. This was offset in part by the completion of redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia and at Barrington Tower in Halifax, Nova Scotia.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and causing a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

Crombie undertakes redevelopment of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months ended December 31, 2012 by province was as follows:

	2012				2011	
(In thousands of CAD dollars)	**Property Revenue**	**Property Expenses**	**Property NOI**	**NOI % of Revenue**	NOI % of Revenue	Variance
Alberta	**$ 2,289**	**$ 340**	**$ 1,949**	**85.2%**	84.5%	0.7%
Manitoba	**174**	**11**	**163**	**93.7%**	–	–
New Brunswick	**6,423**	**2,702**	**3,721**	**57.9%**	58.2%	(0.3)%
Newfoundland and Labrador	**9,567**	**3,078**	**6,489**	**67.8%**	68.7%	(0.9)%
Nova Scotia	**25,664**	**11,553**	**14,111**	**55.0%**	54.3%	0.7%
Ontario	**15,753**	**4,901**	**10,852**	**68.9%**	65.4%	3.5%
Prince Edward Island	**1,057**	**359**	**698**	**66.0%**	67.2%	(1.2)%
Quebec	**6,183**	**1,925**	**4,258**	**68.9%**	70.9%	(2.0)%
Saskatchewan	**1,360**	**485**	**875**	**64.3%**	69.7%	(5.4)%
Total	**$ 68,470**	**$ 25,354**	**$ 43,116**	**63.0%**	61.6%	1.4%

The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions; in particular the acquisition of additional freestanding properties which have a higher NOI percentage of revenue. The decrease in NOI as a percentage of revenue in Saskatchewan is primarily due to an increase in non-recoverable expenses. The decrease in NOI as a percentage of revenue in Quebec is primarily due to an increase in non-recoverable expenses.

FOURTH QUARTER RESULTS (cont.)

Depreciation and Amortization

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Same-asset depreciation and amortization	**$ 8,358**	$ 7,206	$ (1,152)
Acquisition, disposition and redevelopment depreciation and amortization	**4,135**	1,096	(3,039)
Depreciation and amortization	**$ 12,493**	$ 8,302	$ (4,191)

Same-asset depreciation and amortization in 2012 is impacted by a change in the estimated useful life of two investment properties. The change resulted in increased depreciation of $1,491 for the three months ended December 31, 2012. Acquisition, disposition and redevelopment depreciation and amortization of $4,135 for the three months ended December 31, 2012 was $3,039 higher than the three months ended December 31, 2011. This increase is consistent with Crombie's significant acquisition activity in 2011 and 2012. Depreciation and amortization consists of:

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Depreciation of investment properties	**$ 10,666**	$ 6,809	$ (3,857)
Amortization of intangible assets	**1,678**	1,351	(327)
Amortization of deferred leasing costs	**149**	142	(7)
Depreciation and amortization	**$ 12,493**	$ 8,302	$ (4,191)

General and Administrative Expenses

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

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Salaries and benefits	**$ 3,030**	$ 1,644	$ (1,386)
Professional fees	**152**	308	156
Public company costs	**316**	320	4
Rent and occupancy	**36**	84	48
Other	**583**	450	(133)
General and administrative expenses	**$ 4,117**	$ 2,806	$ (1,311)
As a percentage of property revenue	**6.0%**	4.8%	(1.2)%

General and administrative expenses, as a percentage of property revenue, increased by 1.2% for the three months ended December 31, 2012 compared to the same period in 2011. The increase of $1,311 or 46.7% is partially offset by an increase of 16.7% in property revenue over the same period in 2011. Salaries and benefits increased due to the hiring of additional staff related to continued national growth and higher 2012 incentive payments. Other increases are primarily due to higher travel costs, training and development and increased Public company costs.

Finance Costs – Operations

(In thousands of CAD dollars)		Three Months Ended Dec. 31, 2012		Three Months Ended Dec. 31, 2011		Variance
Same-asset finance costs	**$**	**10,942**	$	11,536	$	594
Acquisition, disposition and redevelopment finance costs		**4,136**		1,710		(2,426)
Amortization of effective swaps and deferred financing charges		**1,561**		1,732		171
Finance costs – operations	**$**	**16,639**	$	14,978	$	(1,661)

Same-asset finance costs for the three months ended December 31, 2012 decreased by $594 or 5.1% compared to the three months ended December 31, 2011 primarily due to interest savings realized from the Refinanced Mortgages.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $3,791 over that period. The amount of interest rate subsidy received during the three months ended December 31, 2012 was $248 (three months ended December 31, 2011 – $284).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2011 and 2012.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure.

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended December 31, 2012						Three Months Ended December 31, 2011					
		Same-asset		Acquisitions, Dispositions & Redevelopments		Total		Same-asset		Acquisitions, Dispositions & Redevelopments		Total
Property revenue	**$**	**8,337**	**$**	**2,834**	**$**	**11,171**	$	8,246	$	600	$	8,846
Property operating expenses		**1,796**		**254**		**2,050**		1,522		30		1,552
Property NOI	**$**	**6,541**	**$**	**2,580**	**$**	**9,121**	$	6,724	$	570	$	7,294
NOI Margin %		**78.5%**		**91.0%**		**81.6%**		81.5%		95.0%		82.5%
Actual occupancy %		**99.8%**		**100.0%**		**99.9%**		99.7%		100.0%		99.8%

Same-asset property NOI decreased by 2.7% compared to the same period in 2011 primarily due an increase in non-recoverable expenses.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended December 31, 2012						Three Months Ended December 31, 2011					
		Same-asset		Acquisitions, Dispositions & Redevelopments		Total		Same-asset		Acquisitions, Dispositions & Redevelopments		Total
Property revenue	**$**	**20,687**	**$**	**10,186**	**$**	**30,873**	$	19,916	$	3,653	$	23,569
Property operating expenses		**7,373**		**3,089**		**10,462**		7,172		1,009		8,181
Property NOI	**$**	**13,314**	**$**	**7,097**	**$**	**20,411**	$	12,744	$	2,644	$	15,388
NOI Margin %		**64.4%**		**69.7%**		**66.1%**		64.0%		72.4%		65.3%
Actual occupancy %		**92.9%**		**94.5%**		**93.4%**		94.7%		98.3%		95.3%

Same-asset property NOI increased by $570 or 4.5% compared to the same period in 2011 primarily due to improved recovery rates and land use intensification development, offset in part by reduced occupancy.

FOURTH QUARTER RESULTS (cont.)

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Three Months Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 11,329	510	$ 11,839	$ 11,201	$ 647	$ 11,848
Property operating expenses	4,404	329	4,733	4,162	368	4,530
Property NOI	$ 6,925	$ 181	$ 7,106	$ 7,039	$ 279	$ 7,318
NOI Margin %	61.1%	35.5%	60.0%	62.8%	43.1%	61.8%
Actual occupancy %	91.2%	47.8%	86.9%	94.3%	90.7%	93.7%

Same-asset property NOI decreased by $114 or 1.6% due to lower occupancy rates and lower recoverable expenditures.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Three Months Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 4,185	$ 1,023	$ 5,208	$ 4,551	$ 1,852	$ 6,403
Property operating expenses	2,121	914	3,035	2,362	1,163	3,525
Property NOI	$ 2,064	$ 109	$ 2,173	$ 2,189	$ 689	$ 2,878
NOI Margin %	49.3%	10.7%	41.7%	48.1%	37.2%	44.9%
Actual occupancy %	92.9%	61.9%	81.5%	88.8%	46.7%	73.2%

Commencing in the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue earned from property office tenants for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed use properties to office properties. Same-asset property revenue decreased by $366 or 8.0% while NOI decreased by $125 or 5.7% when compared to the same period in 2011 as results were impacted by the reclassification of the 2011 monthly parking revenue in the fourth quarter of 2011. This was partially offset by higher 2012 occupancy levels. The property NOI results for acquisitions, dispositions and redevelopment properties is impacted by the current temporary vacancies in Terminal Centres in Moncton, New Brunswick as this property is being redeveloped.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Three Months Ended December 31, 2011 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 7,974	$ 1,405	$ 9,379	$ 7,207	$ 809	$ 8,016
Property operating expenses	4,443	631	5,074	4,183	557	4,740
Property NOI	$ 3,531	$ 774	$ 4,305	$ 3,024	$ 252	$ 3,276
NOI Margin %	44.3%	55.1%	45.9%	42.0%	31.1%	40.9%
Actual occupancy %	92.3%	95.9%	93.4%	93.7%	80.9%	90.7%

As noted above under Office Properties, Crombie has reclassified monthly parking revenue. Same-asset property revenue increased by $767 or 10.6% when compared to the same period in 2011 as results were impacted by the reclassification of 2011 monthly parking revenue in the fourth quarter of 2011.

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31 2011
Operating income attributable to Unitholders	$ 11,825	$ 10,673
Operating income attributable to Unitholders per unit – Basic	$ 0.13	$ 0.15
Operating income attributable to Unitholders per unit – Diluted	$ 0.13	$ 0.15
FFO – Basic	$ 27,351	$ 19,708
FFO – Diluted	$ 29,044	$ 21,609
FFO per Unit – Basic	$ 0.31	$ 0.27
FFO per Unit – Diluted	$ 0.30	$ 0.26
Excluding the impact of Refinanced Mortgages and lease termination settlement:(1)		
FFO per Unit – Basic	$ 0.27	$ 0.27
FFO per Unit – Diluted	$ 0.27	$ 0.26
AFFO – Basic	$ 23,407	$ 16,486
AFFO – Diluted	$ 25,100	$ 17,867
AFFO per Unit – Basic	$ 0.27	$ 0.23
AFFO per Unit – Diluted	$ 0.26	$ 0.22
Excluding the impact of Refinanced Mortgages and lease termination settlement:(1)		
AFFO per Unit – Basic	$ 0.23	$ 0.23
AFFO per Unit – Diluted	$ 0.22	$ 0.22

(1) As discussed under Fourth Quarter results, Crombie recognized lease termination income from a national retailer for early termination of two leases.

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments and represents the most equivalent measure to net income available to all Unitholders, the measure commonly referred to where Units are classified as equity instruments.

The diluted FFO and AFFO are adjusted by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

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

	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011
Basic number of Units for all measures	88,252,304	72,896,960
Diluted for operating income attributable to Unitholders purposes	88,438,130	73,078,100
Diluted for FFO purposes	96,125,609	83,108,733
Diluted for AFFO purposes	93,140,534	80,802,194

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

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

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011 (As restated)
Operating income attributable to Unitholders	$ 11,825	$ 10,673
Finance costs – distributions to Unitholders	(19,809)	(16,530)
Finance costs – change in fair value of financial instruments	1,446	(6,417)
Decrease in net assets attributable to Unitholders	$ (6,538)	$ (12,274)

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Funds from Operations (FFO)

FFO is as previously defined in the MD&A. The calculation of FFO for the three months ended December 31, 2012 and December 31, 2011 is as follows:

(In thousands of CAD dollars)	**Three Months Ended Dec. 31, 2012**	Three Months Ended Dec. 31, 2011	Variance
		(As restated)	
Decrease in net assets attributable to Unitholders	**$ (6,538)**	$ (12,274)	$ 5,736
Add (deduct):			
Finance costs – distributions to Unitholders	**19,809**	16,530	3,279
Finance costs – change in fair value of financial instruments	**(1,446)**	6,417	(7,863)
Amortization of tenant incentives	**1,533**	1,333	200
Depreciation of investment properties	**10,666**	6,809	3,857
Amortization of intangible assets	**1,678**	1,351	327
Amortization of deferred leasing costs	**149**	142	7
Taxes – deferred	**1,500**	(600)	2,100
FFO	**$ 27,351**	$ 19,708	$ 7,643

The increase in FFO for the three months ended December 31, 2012 was primarily due to the significant acquisition activity during 2011 and 2012. In addition, Crombie reached agreement with a national retailer for early termination of two leases. These increases were offset in part by increased general and administrative expenses.

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in this MD&A. The calculation of AFFO for the three months ended December 31, 2012 and 2011 is as follows:

(In thousands of CAD dollars)	**Three Months Ended Dec. 31, 2012**	Three Months Ended Dec. 31, 2011	Variance
FFO	**$ 27,351**	$ 19,708	$ 7,643
Add (deduct):			
Amortization of effective swap agreements	**973**	1,191	(218)
Straight-line rent adjustment	**(1,245)**	(1,004)	(241)
Maintenance expenditures on a square footage basis	**(3,672)**	(3,409)	(263)
AFFO	**$ 23,407**	$ 16,486	$ 6,921

The AFFO for the three months ended December 31, 2012 was $23,407, an increase of $6,921 or 42.0% over the same period in 2011, due primarily to the improved FFO results as previously discussed.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Cash provided by (used in) operating activities	**$ 10,130**	$ 6,518	$ 3,612
Add (deduct):			
Finance costs – distributions to Unitholders	**19,809**	16,530	3,279
Change in other non-cash operating items	**(2,262)**	(2,604)	342
Unit-based compensation expense	**(10)**	(8)	(2)
Amortization of deferred financing charges	**(588)**	(541)	(47)
Maintenance expenditures on a square footage basis	**(3,672)**	(3,409)	(263)
AFFO	**$ 23,407**	$ 16,486	$ 6,921

Sources and Uses of Funds

Crombie's sources and uses of funds are summarized as follows:

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Operating activities	**$ 10,130**	$ 6,518	$ 3,612
Financing activities	**$ 56,964**	$ 68,585	$ (11,621)
Investing activities	**$ (67,094)**	$ (75,049)	$ 7,955

Operating Activities

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	**$ 7,868**	$ 3,914	$ 3,954
Non-cash operating items	**2,262**	2,604	(342)
Cash provided by operating activities	**$ 10,130**	$ 6,518	$ 3,612

Cash provided by net assets attributable to Unitholders increased by $3,954 during the three months ended December 31, 2012 compared to the same period in 2011. The more significant items impacting the variance are the increased depreciation and amortization during 2012, offset in part by the increased distributions to Unitholders from the new issues of Units in March and December 2012 as well as the debenture conversions during the year. Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Net issue (repayment) of loans and borrowings	**$ (1,562)**	$ (4,461)	$ 2,899
Net issue of convertible debentures	**102**	–	102
Net issue of units	**58,256**	72,577	(14,321)
Other items (net)	**168**	469	(301)
Cash provided by financing activities	**$ 56,964**	$ 68,585	$ (11,621)

Cash from financing activities in the three months ended December 31, 2012 decreased by $11,621 from the three months ended December 31, 2011. During the three months ended December 31, 2012, Crombie raised cash primarily through the issue of units to finance the acquisition of investment properties.

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Investing Activities

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011	Variance
Cash provided by (used in):			
Acquisition of investment properties	**$ (54,178)**	$ (70,790)	$ 16,612
Proceeds on disposal of investment properties	**–**	7,000	(7,000)
Additions to investment properties	**(10,119)**	(9,597)	(522)
Additions to tenant incentives	**(2,749)**	(1,686)	(1,063)
Additions to deferred leasing costs	**(167)**	(90)	(77)
Other items (net)	**119**	114	5
Cash used in investing activities	**$ (67,094)**	$ (75,049)	$ 7,955

Cash used in investing activities for the three months ended December 31, 2012 was $67,094, a decrease of $7,955 from the same period in 2011. In the fourth quarter of 2012, Crombie acquired two properties with a net cash outlay of $43,705 excluding closing and transaction costs and an additional cash outlay of $9,394 excluding closing costs on acquisition of additional development on existing properties. In the fourth quarter of 2011, Crombie acquired four properties with a net cash outlay of $70,003 excluding closing and transaction costs.

Tenant Improvement ("TI") and Capital Expenditures

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011
Total additions to investment properties	**$ 10,119**	$ 9,597
Less: productive capacity enhancements and recoverable amounts	**(7,805)**	(7,027)
Maintenance capital expenditures	**$ 2,314**	$ 2,570

(In thousands of CAD dollars)	Three Months Ended Dec. 31, 2012	Three Months Ended Dec. 31, 2011
Total additions to TI and deferred leasing costs	**$ 2,916**	$ 1,776
Less: productive capacity enhancements	**(296)**	(322)
Maintenance TI and deferred leasing costs	**$ 2,620**	$ 1,454

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the three months ended December 31, 2012 are primarily payments for costs associated with tenant relocations, building interior and exterior maintenance and roof replacements.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during the quarter.

Productive capacity enhancements during the three months ended December 31, 2012 consisted primarily of GLA expansions underway or completed at Avalon Mall in St. John's, Newfoundland and Labrador, Niagara Plaza, Niagara Falls, Ontario and Millwoods, Edmonton, Alberta as well as redevelopment work at Downsview Plaza in Halifax, Nova Scotia and Terminal Centres in Moncton, New Brunswick.

RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates (including Empire and its subsidiaries), post-employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2012, Empire, through its wholly-owned subsidiary ECLD, holds a 42.9% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Note	**Three Months Ended Dec. 31, 2012**	Three Months Ended Dec. 31, 2011	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Property revenue	(a)	**$ 22,374**	$ 19,708	**$ 88,158**	$ 79,424
Head lease income	(b)	**$ 205**	$ 395	**$ 1,002**	$ 841
Management support services provided	(c)	**$ 134**	$ 130	**$ 616**	$ 820
Property management services	(d)	**$ 134**	$ 133	**$ 619**	$ 830
Rental expense	(e)	**$ 46**	$ 46	**$ 187**	$ 187
Interest rate subsidy	(b)	**$ 248**	$ 284	**$ 1,047**	$ 1,268
Finance costs – operations	(f)	**$ 299**	$ 206	**$ 1,040**	$ 877
Finance costs – distributions to Unitholders		**$ 8,508**	$ 7,368	**$ 32,578**	$ 27,915

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

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

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between CDL, a subsidiary of Crombie and ECLD, a subsidiary of Empire.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs recovered by Crombie pursuant to the Agreement were netted against property expenses.

(e) Crombie leases its head office space from ECLD. The lease expires December 2027.

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% was held by Empire until September 17, 2012. Empire holds $24,000 of Series D Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the fourth quarter of 2012, Crombie acquired two properties and acquired development additions to two existing properties from subsidiaries of Empire for a total purchase price of $53,099 excluding closing and transaction costs.
- On December 14, 2012, concurrently with a public offering of units, ECLD purchased 1,659,661 Class B LP Units and the attached Special Voting Units at a price of $14.75 per Class B LP Unit for gross proceeds of $24,480 on a private placement basis.
- On September 17, 2012, Empire exercised its right to convert its $10,000 Series B Convertible Debentures with an annual interest rate of 6.25%, into 909,090 Units.
- On July 3, 2012, Empire acquired $24,000 Series D Debentures with an annual interest rate of 5.00% in satisfaction of wholly-owned ECL Developments Limited's pre-emptive right with respect to the Debenture offering.
- On March 29, 2012, concurrently with a public offering of units, ECLD purchased 3,655,200 Class B LP Units and the attached Special Voting Units at a price of $14.50 per Class B LP Unit for gross proceeds of $53,000, on a private placement basis.
- During the year ended December 31, 2011, the following transactions occurred with subsidiaries of Empire: Crombie acquired eight retail properties for a total purchase price of $119,590, excluding closing and transaction costs; exchanged a property; and disposed of a freestanding retail property for $7,000.
- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of $12.85 per Class B LP Unit for proceeds of $30,000, on a private placement basis.
- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.

RELATED PARTY TRANSACTIONS (cont.)

Key Management Personnel Compensation

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

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

(In thousands of CAD dollars)	**Three Months Ended Dec. 31, 2012**	Three Months Ended Dec. 31, 2011	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Salary, bonus and other short-term employee benefits	**$ 652**	$ 566	**$ 2,576**	$ 2,103
Other long-term benefits	**24**	21	**94**	147
	$ 676	$ 587	**$ 2,670**	$ 2,250

Critical Accounting Estimates
Property Acquisitions

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment Properties

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

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

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

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

Change in Useful Life of Investment Properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. During the year, management revised the useful life of two investment properties. Revisions to the estimated useful lives of investment properties constitutes a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets. The impact of this change in accounting estimate resulted in an increase in depreciation expense of $4,648 to December 31, 2012.

Revenue Recognition

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

Use of Estimates and Judgements

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include impairment, employee future benefits, income taxes, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment of Long-lived Tangible and Definite Life Intangible Assets

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

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

Defined Benefit Liability

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

Investment Property Valuation

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

Deferred Taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Purchase Price Allocation

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

RELATED PARTY TRANSACTIONS (cont.)

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

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

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Crombie has classified its financial instruments in the following categories:

- Held to maturity investments – assets related to derecognized property
- Loans and receivables – restricted cash, cash and cash equivalents, notes receivable and trade receivables
- Other financial liabilities – investment property debt, liabilities related to derecognized property, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

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

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their book value at the balance sheet date.

(In thousands of CAD dollars)	**Dec. 31, 2012 Carrying Value**	**Dec. 31, 2012 Fair Value**	Dec. 31, 2011 Carrying Value	Dec. 31, 2011 Fair Value
Assets related to derecognized property	**$ 6,120**	**$ 6,116**	$ 6,401	$ 6,547
Investment property debt	**$ 1,072,671**	**$ 1,150,888**	$ 885,490	$ 985,627
Convertible debentures	**$ 123,679**	**$ 134,276**	$ 127,464	$ 145,911
Liabilities related to derecognized property	**$ 5,818**	**$ 5,997**	$ 5,999	$ 6,350

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 – quoted prices in active markets

Level 2 – inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 – inputs are not based on observable market data (unobservable inputs)

The following categorizes and summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Level 1:
Convertible debentures: The fair value of the convertible debentures is estimated based on their market trading prices at the reporting date.

Assets related to derecognized property: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Level 3:
Investment property debt and liabilities related to derecognized property: The fair value is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

Financial instruments recorded at fair value:

Level 1:
Interest rate swaps: The fair value is based on market inputs at the reporting date.

Level 2:
Fair value of embedded derivatives in convertible debentures: The fair value is based on a valuation model which includes market trading prices and market yield curves.

COMMITMENTS AND CONTINGENCIES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these operating results.

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

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire. Details of this agreement are disclosed in "Related Party Transactions".

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2012, Crombie has a total of $11,329 in outstanding letters of credit related to:

- $714 for construction work that is being performed on investment properties;
- $1,715 in favour of the mortgage lender in connection with the defeasance of derecognized property;
- $8,900 in favour of mortgage lenders primarily to satisfy mortgage financings on redevelopment properties.

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 12 to 72 years including renewal options. For the year ended December 31, 2012, Crombie paid $1,206 in land lease payments to third party landlords (year ended December 31, 2011 – $1,175).

As at December 31, 2012, Crombie has signed construction contracts totalling $11,178 of which $10,352 has been paid.

RISK MANAGEMENT

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

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

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

Credit Risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectibility risks.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2012:

- Excluding Sobeys (which accounts for 34.4% of Crombie's minimum rent), no other tenant accounts for more than 6.7% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 8.4% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue of $88,158 for the year ended December 31, 2012 (year ended December 31, 2011 – $79,424) from subsidiaries of Empire.

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

Provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable.

RISK MANAGEMENT (cont.)

Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie's credit risk since December 31, 2011.

(In thousands of CAD dollars)	**Year Ended Dec. 31, 2012**	Year Ended Dec. 31, 2011
Provision for doubtful accounts, beginning of period	**$ 401**	$ 699
Additional provision	**1,082**	301
Recoveries	**(824)**	(143)
Write-offs	**(220)**	(456)
Provision for doubtful accounts, end of period	**$ 439**	$ 401

Competition

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

Risk Factors Related to the Business of Crombie

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 34.4% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties is also heavily concentrated in Atlantic Canada. An economic downturn concentrated in the Atlantic Canada region could also adversely impact Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2012 are as follows:

- 50 properties in Ontario comprising 24.1%;
- 46 properties in Nova Scotia comprising 33.4%;
- 23 properties in New Brunswick comprising 9.9%;
- 21 properties in Quebec comprising 9.1%;
- 14 properties in Newfoundland and Labrador comprising 14.8%;
- nine properties in Alberta comprising 4.4%;
- four properties in Saskatchewan comprising 2.1%;
- two properties in Prince Edward Island comprising 1.9%; and
- one property in Manitoba comprising 0.3%.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent earned in Atlantic Canada has decreased from 67.6% at December 31, 2011 to 60.0% at December 31, 2012.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements from time to time. As at December 31, 2012:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 7.4 years.
- Crombie has a floating rate revolving credit facility available to a maximum of $200,000, subject to available borrowing base, with a balance of $30,405 utilized at December 31, 2012.
- Crombie has a floating rate term credit facility of $92,695 at December 31, 2012.
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $3,759 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2013, based on all settled swap agreements to December 31, 2012.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate credit facilities	Decrease in rate	Increase in rate
Three months ended December 31, 2012	$ 217	$ (217)
Three months ended December 31, 2011	$ 36	$ (36)
Year ended December 31, 2012	$ 472	$ (472)
Year ended December 31, 2011	$ 517	$ (517)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

There have been no significant changes to Crombie's interest rate risk since December 31, 2011.

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited to the amount utilized under the facility, the amount of any outstanding letters of credit plus any unfavourable mark-to-market position on any interest rate swap agreements and cannot exceed the borrowing base security provided by Crombie. Any deterioration in the mark-to-market position may reduce Crombie's available credit in the revolving credit facility.

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

		Year Ending December 31					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2013	2014	2015	2016	2017	Thereafter
Fixed rate mortgages[2]	$ 1,237,304	$ 112,563	$ 149,496	$ 122,158	$ 101,580	$ 91,269	$ 660,238
Convertible debentures	158,493	6,755	6,755	24,851	5,588	49,294	65,250
	1,395,797	119,318	156,251	147,009	107,168	140,563	725,488
Floating rate revolving credit	32,745	936	936	30,873	–	–	–
Floating rate term credit	99,031	2,855	2,855	93,321	–	–	–
Total	$ 1,527,573	$ 123,109	$ 160,042	$ 271,203	$ 107,168	$ 140,563	$ 725,488

(1) Contractual cash flows include principal and interest and ignore extension options.

(2) Reduced by the interest rate subsidy payments to be received from ECLD.

RISK MANAGEMENT (cont.)

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

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

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

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

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

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

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

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

Prior Commercial Operations
Crombie LP acquired from ECL all of the outstanding shares of CDL. CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to the Business Acquisition, ECL made certain representations and warranties to Crombie with respect to CDL, including with respect to the structure of its share capital and the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Business Acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Crombie LP acquired from ECL directly and indirectly 61 properties on April 22, 2008 (the "Portfolio Acquisition"). Pursuant to the Portfolio Acquisition, ECL made certain representations and warranties to Crombie with respect to the properties, including with respect to the scope and amount of its existing and contingent liabilities. ECL also provided an indemnity to Crombie under the Portfolio Acquisition which provides, subject to certain conditions and thresholds, that ECL will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that ECL will be in a position to indemnify Crombie if any such breach occurs. ECL has not provided any security for its obligations and is not required to maintain any cash within ECL for this purpose.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

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

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

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

Income fund or REIT structures in which there is a significant corporate subsidiary such as CDL generally involve a significant amount of intercompany or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of Crombie is supportable and reasonable in the circumstances; however, there can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the debt owing by CDL to Crombie LP. If such a challenge were to succeed, it could adversely affect the amount of cash available for distribution.

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

The cost amount for taxation purposes of various properties of CDL will be lower than their fair market value, generally resulting in correspondingly lower deductions for taxation purposes and higher recapture of depreciation or capital gains on their disposition. In addition, CDL (unlike Crombie) may not reduce its taxable income through cash distributions. If CDL should become subject to corporate income tax, the cash available for distribution to Unitholders would likely be reduced.

RISK MANAGEMENT (cont.)

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax rates, beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008, 2009, 2010 and 2011 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

ECLD holds a 42.9% (fully diluted 40.8%) economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Crombie's financial condition, historic financial performance and future prospects.

SUBSEQUENT EVENTS

On January 21, 2013, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2013 to, and including, January 31, 2013. The distributions were paid on February 15, 2013 to Unitholders of record as of January 31, 2013.

On February 19, 2013, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2013 to, and including, February 28, 2013. The distributions will be payable on March 15, 2013 to Unitholders of record as of February 28, 2013.

On February 4, 2013, Crombie completed the disposition of retail property in Moncton, New Brunswick for $1,700. The disposal price less closing costs approximated the carrying value of the property.

On February 22, 2013, Crombie acquired four retail properties from a third party vendor. The properties contain approximately 306,000 square feet of retail property and all are located in Alberta. The total purchase price of the four properties is approximately $132,000, excluding closing adjustments and transaction costs. The purchase price was funded through the assumption of approximately $10,800 in existing mortgages; by applying net proceeds from the December 14, 2012 $60,000 public offering of REIT Units and Class B LP Units; and the balance from Crombie's revolving credit facility.

On February 22, 2013, Crombie temporarily increased the maximum principal amount of its revolving credit facility from $200,000 to $285,000 in conjunction with the February 22, 2013 acquisitions.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2012. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by Crombie in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding Crombie is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

In addition, our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Further, our Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the financial quarter end and have concluded that our current ICFR was effective at the financial year end based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

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

	Three Months Ended				Three Months Ended			
(In thousands of CAD dollars, except per unit amounts)	**Dec. 31, 2012**	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011
		(As restated)				(As restated)		
Property revenue	**$ 68,470**	**$ 64,459**	**$ 63,646**	**$ 59,447**	$ 58,682	$ 54,781	$ 56,357	$ 56,318
Property operating expenses	**25,354**	**21,731**	**22,585**	**23,052**	22,528	19,611	20,639	21,424
Property net operating income	**43,116**	**42,728**	**41,061**	**36,395**	36,154	35,170	35,718	34,894
Lease terminations	**3,458**	**273**	**–**	**113**	5	–	163	–
Expenses:								
General and administrative	**(4,117)**	**(3,105)**	**(3,138)**	**(2,970)**	(2,806)	(2,487)	(2,861)	(2,500)
Finance costs – operations	**(16,639)**	**(20,285)**	**(16,735)**	**(15,750)**	(14,978)	(16,075)	(15,684)	(15,411)
Depreciation and amortization	**(12,493)**	**(12,200)**	**(11,352)**	**(8,525)**	(8,302)	(7,718)	(7,610)	(7,757)
Operating income before taxes	**13,325**	**7,411**	**9,836**	**9,263**	10,073	8,890	9,726	9,226
Taxes – deferred	**(1,500)**	**500**	**600**	**300**	600	200	(600)	100
Operating income	**11,825**	**7,911**	**10,436**	**9,563**	10,673	9,090	9,126	9,326
Finance costs – distributions to Unitholders	**(19,809)**	**(19,343)**	**(18,760)**	**(17,167)**	(16,530)	(15,132)	(14,870)	(14,751)
Finance costs – change in fair value of financial instruments	**3,984**	**(4,047)**	**(3,675)**	**1,860**	(6,417)	3,372	(4,066)	(1,533)
Increase (decrease) in net assets attributable to Unitholders	**$ (4,000)**	**$ (15,479)**	**$ (11,999)**	**$ (5,744)**	$ (12,274)	$ (2,670)	$ (9,810)	$ (6,958)
Basic and diluted operating income per unit	**$ 0.13**	**$ 0.09**	**$ 0.12**	**$ 0.13**	$ 0.15	$ 0.13	$ 0.14	$ 0.14

(In thousands of CAD dollars, except per unit amounts)	**Three Months Ended** Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Three Months Ended Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011
AFFO	**$ 23,407**	**$ 18,237**	**$ 18,954**	**$ 16,007**	$ 16,486	$ 14,851	$ 13,456	$ 15,259
FFO	**$ 27,351**	**$ 21,338**	**$ 22,747**	**$ 19,301**	$ 19,708	$ 17,977	$ 18,457	$ 18,329
Distributions	**$ 19,809**	**$ 19,343**	**$ 18,760**	**$ 17,167**	$ 16,530	$ 15,132	$ 14,870	$ 14,751
AFFO per unit – basic	**$ 0.27**	**$ 0.21**	**$ 0.23**	**$ 0.22**	$ 0.23	$ 0.22	$ 0.20	$ 0.23
AFFO per unit – diluted(1)	**$ 0.26**	**$ 0.21**	**$ 0.22**	**$ 0.21**	$ 0.22	$ 0.22	$ 0.20	$ 0.22
FFO per unit – basic	**$ 0.31**	**$ 0.25**	**$ 0.27**	**$ 0.26**	$ 0.27	$ 0.27	$ 0.28	$ 0.28
FFO per unit – diluted(1)	**$ 0.30**	**$ 0.24**	**$ 0.26**	**$ 0.25**	$ 0.26	$ 0.26	$ 0.26	$ 0.26
Distributions per unit	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.22**	$ 0.22	$ 0.22	$ 0.22	$ 0.22

(1) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions – during the three months ended December 31, 2012, Crombie acquired two retail plazas for a total purchase price of $43,475; during the three months ended September 30, 2012, Crombie acquired a retail plaza for a total purchase price of $9,600 and a mixed use property for a total purchase price of $20,000; during the three months ended June 30, 2012, Crombie acquired 15 freestanding properties and 12 retail plazas for a total purchase price of $297,448; during the first quarter of 2012, Crombie acquired a freestanding property for a purchase price of $13,800; during the fourth quarter of 2011, Crombie acquired three retail plazas and a freestanding addition to an existing property for a total purchase price of the $72,878; during the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820; and during the quarter ended June 30, 2011, acquired three retail properties for a total purchase price of $49,340. The purchase prices exclude closing and transaction costs.
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include such expenses as paving and roof repairs.

Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs, of $58,256 in the quarter ended December 31, 2012; of $116,925 in the quarter ended March 31, 2012 and of $72,858 in the quarter ended December 31, 2011.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: February 28, 2013
Stellarton, Nova Scotia, Canada