_Primaris

PRIMARIS RETAIL REIT Announces Record Fourth Quarter and Annual Financial Results

Toronto (Ontario) March 1, 2012 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report positive operating results for the fourth quarter of 2011. These results have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Prior year's results have been restated to conform to this change.

President and CEO, John Morrison, commented "We are very pleased with our results for 2011. Funds from Operations for the fourth quarter were 16% stronger than our previous quarterly record. We completed a significant $572 million dollar acquisition during the year, establishing Primaris as the third largest and only public enclosed shopping centre owners in the country. In addition to the property acquisitions we added many strong people to our team, both at the property level and at our corporate offices. The strong financial results resulted from acquisitions, strict expense controls at the G&A level, and from seasonal occupancy gains during the fourth quarter. With a prudent financial structure and strong liquidity, Primaris is well positioned for the future."

Highlights

Funds from Operations (FFO)

- Funds from operations for the fourth quarter ended December 31, 2011 were $34.6 million, up $4.8 million from the $29.8 million reported for the fourth quarter of 2010 as restated. On a per unit diluted basis, funds from operations for the fourth quarter of 2011 were $0.407, down $0.009 from the $0.416 reported for the fourth quarter of 2010.

- FFO for the year ended December 31, 2011 were $110.8 million, up $11.9 million from the $98.9 million reported for the prior year. On a per diluted unit basis, fund from operations for the 2011 year were $1.415, as compared to the $1.451 reported for the prior year. The one time convertible debenture placement costs of $3,029 account for the difference. Without these additional finance costs Operating FFO per unit on a diluted basis for the year ended December 31, 2011 would be $1.451, unchanged from the prior year.

- FFO is not a term defined under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other Trusts. A reconciliation of net income to FFO is included.

Net Operating Income (NOI)

- NOI for the fourth quarter ended December 31, 2011 was $59.3 million, an increase of $9.6 million from the $49.7 million recorded in the fourth quarter of 2010.

- NOI for the year ended December 31, 2011 was $208.3 million, an increase of $26.8 million from the $181.5 million recorded in 2010.

- NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. A calculation of NOI is included.

Same Properties – Net Operating Income

- NOI for the fourth quarter ended December 31, 2011, for the properties held continually for the past twenty-four months, increased 0.5% from the comparative three month period.

- NOI for the year ended December 31, 2011, on a same property basis, increased $1.2 million or 0.7% from 2010.

Net Income

- Net income for the fourth quarter ended December 31, 2011 was $156.4 million, a decrease of $194.4 million from the $350.8 million recorded in the fourth quarter of 2010. There was a large, non-cash deferred income tax recovery recorded in 2010 that did not recur in 2011.

- Net income for the year ended December 31, 2011 was $231.8 million, a decrease of $173.7 million from the $405.5 million recorded in 2010. Again, the change is principally due to the change in deferred income tax recoveries.

Operations

- Primaris renewed or leased 280,446 square feet of space during the fourth quarter. The weighted average new rent in these leases, on a cash basis, represented a 4.3% increase over the previous rent paid (7.8% if the major tenants are excluded).

- Primaris renewed or leased 1,235,102 square feet of space during 2011, which includes the renewal of 17 major tenants. The weighted average new rent in these leases, on a cash basis, represented a 5.7% increase over the previous rent paid (6.9% increase if the majors are excluded).

- The portfolio occupancy is relatively stable. It was 97.1% at December 31, 2011, compared to 96.5% at September 30, 2011, and 97.1% at December 31, 2010.

- Same tenant sales per square foot, for the 17 properties owned during all of the 24 months ended December 31, 2011 was $458 as compared to $462 for the previous 12 months.

Liquidity

- At December 31, 2011, $6,779 of Primaris' $100.0 million credit facility was in use.

Financial Results

FFO for the fourth quarter ended December 31, 2011 were $34.6 million, up $4.8 million from the $29.8 million reported for the fourth quarter of 2010 as restated. On a per unit diluted basis, funds from operations for the fourth quarter of 2011 were $0.407, down $0.009 from the $0.416 reported for the fourth quarter of 2010.

FFO for the year ended December 31, 2011 were $110.8 million, up $11.9 million from the $98.9 million reported for the prior year. On a per diluted unit basis, fund from operations for the 2011 year were $1.415, as compared to the $1.451 reported for the prior year. The one time convertible debenture placement costs of $3,029 account for the difference. Without these additional finance costs Operating FFO per unit on a diluted basis for the year ended December 31, 2011 would be $1.451, unchanged from the prior year.

Net income for the fourth quarter ended December 31, 2011 was $156.4 million, a decrease of $194.4 million from the $350.8 million recorded in the fourth quarter of 2010. There was a large, non-cash deferred income tax recovery recorded in 2010 that did not recur in 2011.

Net income for the year ended December 31, 2011 was $231.8 million, a decrease of $173.7 million from the $405.5 million recorded in 2010. Again, the change is principally due to the change in deferred income tax recoveries.

The FFO distribution payout ratio for the fourth quarter of 2011, calculated on a diluted basis, was 74.9% as compared to a 73.2% payout ratio for the fourth quarter of 2010 and 87.4% for the previous quarter September 30, 2011. The payout ratios are sensitive to both seasonal operating results and financial leverage.

The FFO distribution ratio for the 2011 year was 86.1% as compared to an 84.0% payout ratio for 2010.

At December 31, 2011, Primaris' total enterprise value was approximately $3.4 billion (based on the market closing price of Primaris' units on December 31, 2011 plus total debt outstanding). At December 31, 2011 Primaris had $1,679.3 million of outstanding debt, equating to a debt to total enterprise value ratio of 49.6%. Primaris' debt consisted of $1,432.3 million of fixed-rate senior debt with a weighted average interest rate of 5.4% and a weighted average term to maturity of 5.8 years, $6.8 million utilization of the operating line of credit, $2.8 million of 6.75% fixed-rate convertible debentures, $93.5 million of 5.85% fixed-rate convertible debentures, $68.9 million of 6.30% fixed-rate convertible debentures and $75.0 million of 5.40% fixed-rate convertible debentures.

Primaris had a debt to total asset ratio, as defined under the Declaration of Trust (to be ratified), of 46.6%. During the three months ended December 31, Primaris had an interest coverage ratio of 2.5 times as expressed by EBITDA divided by interest expense on mortgages, convertible debentures and bank indebtedness. Primaris defines EBITDA as net income increased by depreciation, finance costs, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. See below under "Non-IFRS/GAAP Measures".

Operating Results

Net Operating Income – Same Properties
In thousands of dollars

	(unaudited) Three months ended December 31, 2011	(unaudited) Three months ended December 31, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 82,490	$ 80,905	$ 1,585
Less operating expenses	(36,065)	(34,707)	(1,358)
Net operating income	$ 46,425	$ 46,198	$ 227

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

The same-property comparison consists of the 26 properties that were owned throughout both the current and comparative three month periods. NOI, on a same-property basis, increased $0.2 million, or 0.5%, in relation to the comparable three month period.

Liquidity
At December 31, 2011, $6,779 of Primaris' $100.0 million credit facility was in use.

Tenant Sales

For the 17 reporting properties owned throughout both the twelve month periods ended December 31, 2011 and 2010, sales per square foot, on a same-tenant basis, have decreased slightly to $458 from $462 per square foot. For the same 15 properties the all tenant total sales volume has increased 0.1%.

	(unaudited) Same Tenant Sales per Square Foot		Variance		(unaudited) All Tenant Total Sales Volume		Variance	
	2011	**2010**	**$**	**%**	**2011**	**2010**	**$**	**%**
Dufferin Mall	545	542	3	0.6%	91,485	90,469	1,016	1.1%
Eglinton Square	351	361	(10)	-2.9%	30,452	27,614	2,838	10.3%
Heritage Place	307	314	(7)	-2.3%	25,663	25,739	(76)	-0.3%
Lambton Mall	333	346	(13)	-3.9%	45,582	49,140	(3,558)	-7.2%
Place d'Orleans	448	465	(17)	-3.7%	104,224	108,302	(4,078)	-3.8%
Place Du Royaume	419	414	5	1.3%	114,596	113,130	1,466	1.3%
Place Fleur De Lys	319	320	(1)	-0.2%	70,846	71,918	(1,072)	-1.5%
Stone Road Mall	524	515	9	1.7%	115,795	112,318	3,477	3.1%
Aberdeen Mall	370	372	(2)	-0.5%	48,779	48,219	560	1.2%
Cornwall Centre	558	542	16	2.9%	85,939	81,343	4,596	5.7%
Grant Park	537	529	8	1.5%	26,850	27,255	(405)	-1.5%
Midtown Plaza	562	555	7	1.2%	133,996	131,692	2,304	1.7%
Northland Village	462	464	(2)	-0.4%	43,668	44,440	(772)	-1.7%
Orchard Park	485	492	(7)	-1.4%	131,738	129,999	1,739	1.3%
Park Place Mall	477	481	(4)	-0.9%	76,755	76,644	111	0.1%
Sunridge Mall	478	499	(21)	-4.2%	91,893	93,153	(1,260)	-1.4%
Woodgrove Centre	473	492	(19)	-3.9%	92,234	97,983	(5,749)	-5.9%
	458	**462**	**(4)**	**-0.9%**	**1,330,495**	**1,329,358**	**1,135**	**0.1%**

The same tenants' sales decreased 0.9% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12-month period ended December 31, 2011, increased 4.1%. Primaris' sales productivity of $458 is lower than the ICSC average of $589, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Leasing Activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate is relatively stable. It was 97.1% at December 31, 2011, compared to 96.5% at September 30, 2011, and 97.1% at December 31, 2010. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

Primaris renewed or leased 280,446 square feet of space during the fourth quarter of 2011. Approximately 48.2% of the leased spaces during the fourth quarter of 2011 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 4.3% increase over the previous rent.

Primaris renewed or leased 1,235,102 square feet of space during 2011. Approximately 59.7% of the leased spaces during 2011 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 5.7% increase over the previous rent (a 6.9% increase when renewals of major tenants are excluded).

At year end, Primaris had a weighted average term to maturity of leases of 5.4 years.

Development Activity

During 2009 Primaris completed phase one of a three phase redevelopment at Lambton Mall in Sarnia, Ontario. Although this first phase created a vacant anchor store location, it provided an opportunity not only to add a food court where none existed previously, but also to backfill the anchor store with a new large tenant.

Construction is complete on the second phase which introduced a new eight unit food court that opened December 1, 2011. Negotiations have advanced significantly with regard to replacements for the vacant anchor space.

A redevelopment project at Orchard Park Shopping Centre in Kelowna, British Columbia for the construction of approximately 25,000 square feet of new retail space and the redevelopment of about 10,000 square feet of existing area was completed in mid-November 2011. The project brought Best Buy, a dynamic first-to-market tenant, to the centre and relocated the mall administration offices.

A redevelopment project is well underway at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store, and relocated retail tenants. This project also includes the realignment and upgrade of almost 11,500 square feet of common area with new floor and ceiling finishes which has revitalized the west end of the shopping centre. A portion of the exterior of the building and the west mall entrance is being renovated to provide a marquee entry to the new redevelopment inside. Construction activities commenced in June 2011, with relocated retail tenants opening October 2011, and a targeted spring 2012 opening for the MLCC expansion. The project is on budget and is expected to cost $6.5 million. This phased redevelopment has already created an additional consumer draw to the centre.

Comparison to Prior Period Financial Results – in thousands of dollars

	Three Months Ended December 31, 2011 (unaudited)	Three Months Ended December 31, 2010 (unaudited)	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 61,833	$ 50,015	$ 11,818
Recoveries from tenants	38,620	30,977	7,643
Percent rent	893	918	(25)
Parking	1,998	1,920	78
Other income	719	417	302
	104,063	84,247	19,816
Expenses			
Property operating	27,382	22,001	(5,381)
Property tax	18,597	14,698	(3,899)
Ground rent	332	295	(37)
General & administrative	2,110	545	(1,565)
Depreciation	282	283	1
	48,703	37,822	(10,881)
Income from operations	$ 55,360	$ 46,425	$ 8,935
Finance income	72	28	44
Finance costs	(32,951)	(19,815)	(13,136)
Fair value adjustment on investment properties	133,956	30,653	103,303
Deferred income tax recovery	-	293,514	(293,514)
Net income	**$ 156,437**	**$ 350,805**	**$ (194,368)**
Fair value adjustment on investment properties	(133,956)	(30,653)	(103,303)
Fair value adjustment on convertible debentures	9,000	(277)	9,277
Fair value adjustment on exchangeable units	240	44	196
Fair value adjustment on unit-based compensation	108	113	(5)
Distributions on exchangeable units	667	676	(9)
Amortization of tenant improvement allowances	2,176	2,641	(465)
Deferred income taxes	-	(293,514)	293,514
Funds from operations [1]	**$ 34,672**	**$ 29,835**	**$ 4,837**
Funds from operations per unit - basic	$ 0.420	$ 0.434	$ (0.014)
Funds from operations per unit - diluted	$ 0.407	$ 0.416	$ (0.009)
Funds from operations - payout ratio	74.9%	73.2%	1.7%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	82,641,329	68,720,843	13,920,486
Weighted average units outstanding - diluted	93,987,252	78,316,679	15,670,573
Units outstanding, end of period	82,740,232	68,794,679	13,945,553

[1] Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities. See below under "Non-IFRS/GAAP Measures".

Funds from operations for the quarter ended December 31, 2011 were $4.8 million greater than the comparative period.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS would replace Canadian generally accepted accounting principles ("GAAP"), for Canadian publically accountable profit-oriented enterprises, effective for fiscal periods beginning on or after January 1, 2011. The December 31, 2011 consolidated financial statements and related disclosures include 2010 comparative results restated to IFRS and reconciliations to the previously reported Canadian GAAP statements.

Supplemental Information

Primaris' consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three-month periods ended December 31, 2011 and 2010 are available on Primaris' website at www.primarisreit.com.

Forward-Looking Information

The MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, Primaris' operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

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

(i) 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 the cost of capital;

(ii) reinvesting to make improvements and maintenance to existing properties, which could be impacted by the availability of labour and capital resource allocation decisions;

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

(iv) overall indebtedness levels, which could be impacted by the level of acquisition activity Primaris is able to achieve and future financing opportunities;

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

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

(vii) the effect that any contingencies could have on Primaris' financial statements;

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

(ix) the development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions.

Although the forward-looking statements contained in this document are based on what management of Primaris believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include: a less robust retail environment; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable Primaris to refinance debts as they mature and the availability of purchase opportunities for growth.

Except as required by applicable law, Primaris undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-IFRS/GAAP Measures

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under IFRS. Management uses these measures when comparing itself to industry data or others in the marketplace. Primaris' MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income, as defined under IFRS, for FFO and EBITDA. A reconciliation of FFO to net income, as defined by IFRS, and a calculation of NOI also appear at the end of the press release. FFO, NOI and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with IFRS and may not be comparable to measures presented by other issuers.

Conference Call

Primaris invites you to participate in the conference call that will be held on Friday March 2, 2012 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference call are: 416-340-8530 (within Toronto), and 1-877-240-9772 (within North America).

Audio replays of the conference call will be available for 24 hours immediately following the completion of the conference call, by dialling 905-694-9451 or 1-800-408-3053 and using pass code 1208535. The audio replay will also be available for download at www.primarisreit.com/q4conference.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 32 income-producing properties comprising approximately 13.5 million square feet located in Canada. As of February 29, 2012, Primaris had 83,159,632 units issued and outstanding (including exchangeable units for which units have yet to be issued).

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(In thousands of dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Non-current assets:			
Investment properties	$ 3,557,900	$ 2,804,900	$2,541,700
Current assets:			
Rents receivable	7,387	6,096	4,907
Other assets and receivables	25,010	11,006	12,083
Cash and cash equivalents	–	6,500	15,452
	32,397	23,602	32,442
	$ 3,590,297	$ 2,828,502	$2,574,142
Liabilities and Equity			
Non-current liabilities:			
Mortgages payable	$ 1,372,871	$ 1,103,084	$1,061,153
Convertible debentures	268,766	196,703	189,847
Exchangeable units	45,079	43,325	37,239
Accounts payable and other liabilities	1,205	533	410
Deferred tax liability	–	–	264,286
	1,687,921	1,343,645	1,552,935
Current liabilities:			
Current portion of mortgages payable	53,004	61,685	25,929
Bank indebtedness	6,779	10,000	15,000
Accounts payable and other liabilities	61,744	51,324	53,519
Distribution payable	8,251	6,809	6,358
	129,778	129,818	100,806
	1,817,699	1,473,463	1,653,741
Equity	1,772,598	1,355,039	920,401
	$ 3,590,297	$ 2,828,502	$2,574,142

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Comprehensive Income
(In thousands of dollars, except per unit amounts)

	(unaudited) Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Revenue:				
Minimum rent	$ 61,833	$ 50,015	$ 219,113	$ 188,704
Recoveries from tenants	38,620	30,977	135,464	114,607
Percentage rent	893	918	2,652	2,658
Parking	1,998	1,920	6,556	6,308
Other income	719	417	1,568	1,274
	104,063	84,247	365,353	313,551
Expenses:				
Property operating	27,382	22,001	92,745	79,601
Property taxes	18,597	14,698	68,569	56,469
Ground rent	332	295	1,246	1,178
General and administrative	2,110	545	9,840	9,150
Depreciation	282	283	1,039	1,433
	48,703	37,822	173,439	147,831
Income from operations	55,360	46,425	191,914	165,720
Finance income	72	28	168	83
Finance costs	(32,951)	(19,815)	(109,396)	(99,928)
Fair value adjustment on investment properties	133,956	30,653	149,113	75,890
Gain on sale of land	–	–	–	74
Income (loss) before income taxes	156,437	57,291	231,799	141,839
Deferred income tax recovery	–	293,514	–	263,692
Net income (loss)	156,437	350,805	231,799	405,531
Other comprehensive income				
Amortization of deferred net loss on cash flow hedges	57	58	230	236
Tax effect of deferred loss on cash flow hedges	–	681	–	594
Comprehensive income (loss)	$ 156,494	$ 351,544	$ 232,029	$ 406,361

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year ended December 31, 2011	2010
Cash flows from operating activities:		
Net income	$ 231,799	$405,531
Adjustments for:		
Amortization of tenant improvement allowances	7,419	6,931
Amortization of tenant inducements	168	235
Amortization of straight-line rent	(2,030)	(1,950)
Value of units and options granted under unit-based compensation plan	1,957	1,765
Depreciation of fixtures and equipment	1,039	1,433
Net finance costs	109,228	99,845
Fair value adjustments on investment properties	(149,113)	(75,890)
Gain on sale of land	–	(74)
Deferred income taxes	–	(263,692)
	200,467	174,134
Other non-cash operating working capital	(7,892)	(7,019)
Leasing commissions	(773)	(519)
Tenant improvements	(18,078)	(7,008)
Tenant inducements	(15)	(1,000)
Cash generated from operating activities	173,709	158,588
Interest received	168	83
Net cash from operating activities	173,877	158,671
Cash flows from financing activities:		
Mortgage principal repayments	(28,146)	(22,748)
Proceeds of new mortgage financing	333,600	105,000
Proceeds of bridge financing	57,500	–
Repayment of financing	(99,933)	(3,685)
Repayment of bank indebtedness	(3,221)	(5,000)
Interest paid on financing	(83,378)	(72,667)
Additions to capitalized debt placement costs	(2,736)	(1,021)
Issuance of units	270,239	101,735
Unit issue costs	(11,144)	(4,472)
Issuance of convertible debentures	75,000	–
Convertible debenture issuance costs	(3,029)	–
Distributions to Unitholders	(92,730)	(80,092)
Purchase of units under normal course issuer bid	(589)	(1,130)
Net cash flow from financing activities	411,433	15,920
Cash flows from investing activities:		
Acquisitions of investment properties	(585,388)	(169,322)
Additions to buildings and building improvements	(13,778)	(7,927)
Additions to recoverable improvements	(12,087)	(6,248)
Additions to fixtures and equipment	(390)	(134)
Gross proceeds of disposition	19,833	88
Net cash flow used in investing activities	(591,810)	(183,543)
Decrease in cash and cash equivalents	(6,500)	(8,952)
Cash and cash equivalents, beginning of period	6,500	15,452
Cash and cash equivalents, end of period	$ –	$ 6,500
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	17,926	7,846
Value of units issued upon exchange	597	1,605

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)

	(Unaudited) Three months ended December 31, 2011	2010
Cash flows from operating activities:		
Net income	$ 156,437	$350,805
Adjustments for:		
Amortization of tenant improvement allowances	2,176	2,641
Amortization of tenant inducements	70	124
Amortization of straight-line rent	(669)	(328)
Value of units and options granted under unit-based compensation plan	359	(227)
Depreciation of fixtures and equipment	282	283
Net finance costs	32,879	19,787
Fair value adjustments on investment properties	(133,956)	(30,653)
Gain on sale of land	–	–
Deferred income taxes	–	(293,514)
	57,578	48,918
Other non-cash operating working capital	4.918	10,636
Leasing commissions	(408)	(132)
Tenant improvements	(6,576)	(2,179)
Tenant inducements	(15)	–
Cash generated from operating activities	55,497	57,243
Interest received	72	28
Net cash from operating activities	55,569	57,271
Cash flows from financing activities:		
Mortgage principal repayments	(8,033)	(6,238)
Proceeds of new mortgage financing	–	–
Repayment of financing	(5,394)	–
Repayment of bank indebtedness	(221)	(5,000)
Interest paid on financing	(21,259)	(18,317)
Additions to capitalized debt placement costs	7	(33)
Issuance of units	2,079	1,480
Unit issue costs	(50)	(11)
Issuance of convertible debentures	–	–
Convertible debenture issuance costs	–	–
Distributions to Unitholders	(25,242)	(20,985)
Purchase of units under normal course issuer bid	–	(1,130)
Net cash flow used in financing activities	(58,113)	(50,234)
Cash flows from investing activities:		
Acquisitions of investment properties	(3,005)	–
Additions to buildings and building improvements	(5,748)	(3,148)
Additions to recoverable improvements	(7,821)	(3,051)
Additions to fixtures and equipment	(286)	(6)
Gross proceeds of disposition	18,266	–
Net cash flow from (used in) investing activities	1,406	(6,205)
Increase (decrease) in cash and cash equivalents	(1,138)	832
Cash and cash equivalents, beginning of period	1,138	5,668
Cash and cash equivalents, end of period	$ –	$ 6,500
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	2,037	4,192
Value of units issued upon exchange	–	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Reconciliation of Net Income to Funds from Operations
(In thousands of dollars)

	(unaudited) Three Months Ended December 31, 2011	(unaudited) Three Months Ended December 31, 2010
Net income	$ 156,437	$ 350,805
Fair value adjustment on investment properties	(133,956)	(30,653)
Fair value adjustment on convertible debentures	9,000	(277)
Fair value adjustment on exchangeable units	240	44
Fair value adjustment on unit-based compensation	108	113
Distributions on exchangeable units	667	676
Amortization of tenant improvement allowances	2,176	2.641
Deferred income taxes	-	(293,514)
Funds from operations	**$ 34,672**	**$ 29,835**

Funds from Operations, which is not a defined term within IFRS, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and certain fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities.

Calculation of Net Operating Income All Properties
(In thousands of dollars)

	(unaudited) Three Months Ended December 31, 2011	(unaudited) Three Months Ended December 31, 2010
Revenue	$104,063	$84,247
Add: Amortization of leasing costs	1,577	2,437
Less: Property operating expenses	(27,382)	(22,001)
Property tax expense	(18,597)	(14,698)
Ground Rent	(332)	(295)
Net operating income	**$ 59,329**	**$ 49,690**

Net Operating Income is not a defined term within IFRS. Net Operating Income may not be comparable to similar measures used by other entities.