



*2nd Quarter
Interim Report
1999*

To Our Shareholders

Financial Results

Cashflow from operations before transaction gains was \$48 million compared with \$40 million in the first half of 1998. This was a result of net operating income from commercial properties increasing 34% to \$43 million, reflecting increased rental rates and the full impact of new acquisitions made in 1998.

Cashflow from operations was \$48 million or \$0.98 cents per fully diluted common share, consistent with the first half of 1998. However, there were no transaction gains in the first half of 1999, compared with \$8 million in the first half of 1998.

These results continue to reflect the transition of Gentra's focus to its portfolio of high quality commercial properties. A significantly larger portion of the Corporation's income is now derived from this portfolio.

Office and retail properties currently represent 77% of the Corporation's \$1.2 billion of assets, compared with 65% in the same period last year. Gentra's balance sheet remains strong, with no corporate debt and a low debt equity ratio of 0.5:1. Virtually all property debt is non-recourse to the Corporation. Our strong balance sheet puts Gentra in a unique position to take advantage of superior property investment opportunities without requiring access to equity markets.

Operations Review

During the first half of the year Gentra focused on a number of initiatives to create value in its real estate portfolio. Specifically Gentra:

- Leased 284,000 square feet of office and retail space in the second quarter to bring total space leased in the first half of 1999 to 604,000 square feet and occupancy in the portfolio to 95%.
- Substantially completed the Newcourt Centre redevelopment program. The Centre is currently 88% leased, well ahead of plan on leasing and rental rate expectations.
- Acquired two repositioning properties, Nepean Plaza and Park Towers Apartments. The cost of these two acquisitions totalled \$49 million, including \$36 million of assumed debt.
- Entered into agreements to sell four non-core properties and realized proceeds from its on-going loan monetization program for total proceeds of \$100 million upon closing of all of these transactions. The proceeds will continue to be invested in commercial property acquisitions consistent with Gentra's objective of focusing on investments in quality office and retail properties.
- Completed financing for The Exchange Tower property in Toronto which was purchased in January of 1997 for \$139 million and recently appraised at \$255 million. The Corporation placed \$140 million of 6.83% first mortgage bonds due 2012.

Capital Initiatives

Gentra has also completed two initiatives with respect to its capital structure which will be positive for shareholders in the years ahead.

- On April 23, 1999 the Corporation's common shares commenced trading on a one-for-five consolidated basis. Gentra's shares now trade in a price range consistent with its peers on the Toronto Stock Exchange.
- In addition, the Corporation acquired a total of 929,940 shares under the normal course issuer bid during the period from December 3, 1998 through April 16, 1999 at an average price of \$13.90. On June 1, 1999 the Corporation repurchased 5 million post-consolidation common shares at a price of \$14.50 per share through a substantial issuer bid.

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Gentra is a real estate investment Corporation focused on the ownership and value enhancement of premier commercial real estate. The Corporation's objective is to realize superior financial returns for its shareholders by enhancing the value of its real estate assets and investing in new assets. Gentra's property portfolio is composed of interests in 20 commercial properties primarily in Toronto and Calgary totalling 11.1 million square feet. The Corporation's assets total \$1.2 billion. Gentra's common shares are included in the TSE 300 and the TSE Real Estate Index.

David D. Arthur
President and Chief Executive Officer

Properties Portfolio

Property Name	Year Completed⁽⁴⁾	Leasable Area (square feet in 000's)	Occupancy⁽⁵⁾ (percent)
Office Properties			
Downtown, Toronto, Ontario			
Exchange Tower Block			
Exchange Tower and TSE Pavilion	1981	1,029	91
105 Adelaide Street West ⁽¹⁾	1992	184	96
BCE Place Block			
20-22 Front Street West	1986	144	100
Newcourt Centre	1983	656	88
HSBC Building	1991	194	89
170 University Avenue ⁽¹⁾	1992	92	92
Downtown, Calgary, Alberta			
Petro-Canada Centre ⁽³⁾	1984	1,725	91
Fifth Avenue Place ⁽²⁾	1980	1,478	100
First Alberta Place	1982	298	95
Parking and other		649	N/A
Total office		6,449	94
Retail Properties			
Regional Shopping Centres			
Bramalea City Centre, Brampton, ON	1989	1,171	96
Londonderry Mall, Edmonton, AB	1992	769	93
Community Malls and Shopping Centres			
Sheridan Centre, Mississauga, ON ⁽⁶⁾	1988	537	74
Malvern Town Centre, Scarborough, ON	1987	285	97
Place Portobello, Brossard, PQ	1997	510	99
Le Carrefour d'Argenteuil, Lachute, PQ	1976	88	
Nepean Plaza, Nepean, ON ⁽⁶⁾	1974	162	52
Queen's Plate Plaza	1993	119	98
Westney Heights Plaza	1995	101	100
Other			
Park Towers Apartments	1998	551	99
Metro East Trade Centre	1985	270	N/A
Total retail and other		4,674	96
Total office, retail and other		11,123	
Less: Proportionate shares owned by others		1,661	
Gentra's net effective ownership interest		9,462	95

(1) The proportionate share owned by the Corporation is 55%. (4) For certain properties this is the year a major renovation was completed.

(2) The proportionate share owned by the Corporation is 80%. (5) Includes space committed under leases where occupancy will occur upon

(3) The proportionate share owned by the Corporation is 50%. completion of tenant improvements.

(6) Property under redevelopment.

Consolidated Balance Sheet

(unaudited) (\$ millions)

		June 30, 1999	December 31, 1998
Assets	Note		
Commercial properties	2	948	891
Loans and investments	3	206	225
Securities		18	26
Cash and cash equivalents	4	20	14
Other assets		38	20
		1,230	1,176
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities		81	74
Mortgages and other borrowings		397	296
Shareholders' equity	5	752	806
		1,230	1,176

Consolidated Statement of Income

(unaudited) (\$ millions, except per share data)

	for the three months ended June 30	for the six months ended June 30	
	1999	1999	1998
Commercial properties			
Revenue	50	94	80
Expenses	28	51	48
Net operating income	22	43	32
Investment and other income	11	21	27
	33	64	59
Expenses			
Administrative expenses and income taxes	3	6	7
Interest expense	5	10	12
Cashflow before transaction gains	25	48	40
Transaction gains	¾	—	8
Cashflow from operations and transaction gains	25	48	48
Depreciation and amortization	4	7	5
Net income	21	41	43
Income per common share ⁽¹⁾			
Basic	\$0.44	\$0.82	\$0.89
Fully diluted	\$0.42	\$0.80	\$0.86
Cashflow per fully diluted common share	\$0.52	\$0.98	\$0.98

⁽¹⁾ Share information has been restated to reflect the 1 for 5 share consolidation.

Consolidated Statement of Cash Flow

(unaudited) (\$ millions)

	for the three months ended June 30	for the six months ended June 30	
	1999	1999	1998
Operating Activities			
Net income	21	41	43
Add (deduct) items not providing or requiring cash from operations			
Transaction gains	¾	¾	(8)
Recovery on loan realizations	¾	¾	(1)
Accrued income on loans and investments	1	¾	(1)
Depreciation and amortization	4	7	5
	26	48	38
Changes in other assets and liabilities	(6)	(12)	(9)
	20	36	29
Investing activities			
Decrease in securities	3	8	¾
Loans and investments			
Advances to borrowers	¾	¾	(233)
Loan principal paydowns and payoffs	15	19	309
Commercial properties			
Acquisitions of properties	(13)	(13)	(21)
Tenant inducements and capitalized expenditures	(3)	(7)	(12)
Redevelopment expenditures	(7)	(8)	(4)
Dispositions of properties	¾	¾	21
	(5)	(1)	60
Financing Activities			
Lines of credit	¾	¾	(65)
Increase (decrease) in mortgages payable	65	65	(7)
Reduction in collateralized mortgage obligations	¾	¾	(1)
Preferred share dividends paid	(5)	(10)	(9)
Common shares issued (repurchased)	(73)	(84)	1
	(13)	(29)	(81)
Increase in cash and cash equivalents	2	6	8
Cash and cash equivalents, beginning of period	18	14	29
Cash and cash equivalents, end of period	20	20	37

Notes to the Consolidated Financial Statements

1. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are consistent with those on pages 26 and 27 of the 1998 Annual Report. Certain reclassifications have been made to conform to the 1999 presentation.

2. Commercial Properties

	June 30, 1999				Dec 31, 1998
	Metro Toronto	Western Provinces	Quebec/Other	Total	Total
Office	241	320	—	561	559
Retail	221	74	49	344	328
Other	41	—	2	43	4
	503	394	51	948	891

During the quarter, Genra acquired two properties through loan realization activities. The properties were acquired for \$49 million including the assumption of \$36 million in mortgages.

3. Loans and Investments

	June 30, 1999			Dec 31, 1998
	Ontario	Other	Total	Total
Mortgages				
Office	45	39	84	92
Retail	12	83	95	96
Hotels	61	—	61	62
Multi-family residential and other	10	8	18	28
Corporate loans and other	32	—	32	32
Total loans and investments	160	130	290	310
Accrued interest			1	1
Reserves			(85)	(86)
Net loans and investments			206	225

4. Cash and Cash Equivalents

Cash and equivalents are comprised of bank term deposits and commercial paper with a maturity less than 90 days.

5. Shareholders' Equity

The year-to-date changes in shareholders' equity are summarized below:

(\$ millions)	Preferred Share Equity	Common Share Equity	Total
Shareholders' equity, December 31, 1998	382	424	806
Net income for the six months ended June 30, 1999	—	41	41
Common shares repurchased	—	(84)	(84)
Preferred share dividends	—	(11)	(11)
Shareholders' equity, June 30, 1999	382	370	752

Regular dividends on cumulative preferred shares have been declared. Dividends of \$0.288922 per share on Series G, and \$0.277524 on Series J and M shares will be paid on August 14, 1999 to shareholders of record at July 30, 1999. Regular monthly dividends on Series K and Series N preferred shares were also declared.

During the six month period ended June 30, 1999 the Corporation acquired 825,500 shares at an average price of \$13.94 under the normal course issuer bid and repurchased 5,000,000 shares at \$14.50 per share through a substantial issuer bid.

6. Segmented Information

(\$ millions)	Office Properties		Retail Properties		Loans and Investments		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
June 30,							9	
Property revenue	57	46	37	34	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
Property expenses	32	30	19	18	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
Operating income	25	16	18	16	21	27	64	59
Administrative expenses, interest and income taxes							16	19
Gains on disposition							$\frac{3}{4}$	8
Depreciation and amortization							7	5
Net income							41	43

6. Year 2000

In 1998 the Corporation completed a compliance assessment and implemented a plan to address Year 2000 issues relevant to its operations and properties. The Corporation is working with its property managers to implement appropriate corrective measures on each owned property and properties which represent collateral security for the Corporation's loans and investments. These corrective measures were identified in 1998 and include specific date-sensitive building systems such as building security, elevator controls, lighting and mechanical systems. Corrective actions have been implemented except for specific items that are scheduled to be completed by the fall of 1999. Overall, fifteen of twenty properties are fully compliant, while building systems in the remaining properties are 85% compliant. The total costs to Gentra to implement these corrective measures at certain properties is expected to be approximately \$1.5 million, the majority of which are recoverable from tenants. Gentra will develop transition and contingency plans for each property during 1999 to ensure the safety and comfort of building occupants on December 31, 1999 should providers of outside utility services anticipate service interruptions. The Corporation's information systems are currently compliant except for its general ledger system. This system upgrade is underway and will be completed by September 30, 1999. All purchases of new technology are required to be Year 2000 compliant.

Quarterly Financial Information

(\$ millions)	June 30 1999	March 31 1999	Dec 31 1998	Sept 30 1998	June 30 1998	March 31 1998
Commercial properties	948	893	891	690	676	656
Gross loans and investments						
Canada	290	306	310	347	363	380
United States	—	—	—	—	—	117
Net operating income	22	21	19	18	17	15
Investment and other income	11	10	10	16	13	14
Transaction gains	—	—	9	—	5	3
Net income	21	20	27	26	23	20
Cashflow from operations and transaction gains	25	23	30	28	26	22

Per common share (fully

diluted)

Net income	.42	.38	.57	.50	.46	.40
Cashflow	.52	.46	.64	.58	.52	.46
