



STOCK SYMBOL: GTA

## *To Our Shareholders*

### *Financial Results*

Cashflow from operations before transaction gains was \$1.50 per share compared with \$1.34 per share in the first nine months of 1998. The increase in cash flow results from net operating income from commercial properties increasing 34%, reflecting increased rental rates and the full impact of new acquisitions made in 1998.

Cashflow from operations was \$76 million or \$1.64 per share, compared with \$1.54 per share in the first nine months of 1998. During the past twelve months Gentra has realized a significant reduction in its loans portfolio and has disposed of several non-core properties. Proceeds have been reinvested in high quality commercial properties and the acquisition of the Corporation's shares through two repurchase initiatives. Income from loans will continue to decrease as the remaining loan portfolio is liquidated; net operating income from commercial properties will increase as rental rates rise and the Corporation executes its plan to reinvest in high quality commercial property. In addition, per share amounts will increase as a result of the reduction in shares outstanding from the share repurchases.

Net income was \$65 million, a \$4 million decrease from \$69 million in the same period in 1998, resulting from increased depreciation and amortization.

### *Operations Review*

During the first nine months of the year Gentra focused on a number of initiatives to create value in its real estate portfolio and increase cash flow from operations:

- Increased net operating income from properties by 9% on a comparative property basis from 1998. This increase results from increased rental rates and occupancies.
- Leased 362,000 square feet of office and retail space in the third quarter bringing total space leased year-to-date to 966,000 square feet with occupancy now at 95%.
- Completed the acquisition of Sevenoaks Shopping Centre – a 554,000 sq.ft. dominant regional shopping centre located in Abbotsford, a rapidly growing community in the greater Vancouver area. Sevenoaks is anchored by The Bay, Sears and Extra Foods. The Eaton's store will be redeveloped to include several major tenants and a food court. The acquisition was funded through cash raised on disposition of non-core assets and new 7-year property debt totalling \$55 million bearing interest at 6.88%.
- Acquired two repositioning properties, Nepean Plaza and Park Towers for \$49 million including \$36 million in assumed debt.
- Sold two non-core properties, Queens Plate Plaza and 170 University Avenue, realizing total proceeds of \$16 million including a \$5 million gain on disposition.
- Initiated the redevelopment program at Sheridan Centre including the completion of the landlord's work for the Dominion Food Store and the 120,000 sq.ft. of office space for Royal & Sun Alliance.
- Completed the redevelopment program at Newcourt Centre with the property now 88% leased.

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- Subsequent to September 30, completed the sale of two retail properties and two loan positions in Quebec realizing net proceeds of \$50 million. In addition, Gentra is scheduled to complete the sale of First Alberta Place, a 300,000 sq.ft. non-core office property, during the fourth quarter.

### *Capital Initiatives*

- The Corporation acquired a total of 5,825,000 common shares in 1999 through two share repurchase initiatives through to June 1,1999. These shares were acquired at a weighted average price of \$14.42 and represent 13% of the common shares outstanding. Based on the Corporation's current earnings profile, these share repurchases will continue to be positive for common shareholders in the years ahead.



Gentra is a real estate investment company 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 17 commercial properties primarily in Toronto and Calgary totalling 10.7 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*

## *Consolidated Balance Sheet*

<i>(unaudited) (\$ millions)</i>			
		September 30, 1999	December 31, 1998
<b>Assets</b>	Note		
Commercial properties	2	963	891
Loans receivable	3	146	225
Securities		18	26
Cash and cash equivalents	4	88	14
Other assets		30	20
		<b>1,245</b>	1,176
<b>Liabilities and Shareholders' Equity</b>			
Accounts payable and accrued liabilities		75	74
Mortgages and other borrowings		399	296
Shareholders' equity	5	771	806
		<b>1,245</b>	1,176

## *Consolidated Statement of Income*

<i>(unaudited)</i>				
<i>(\$ millions, except per share data)</i>				
		for the three months ended September 30	for the nine months ended September 30	
		1999	1999	1998
Commercial properties				
Revenue		52	146	118
Expenses		28	79	68
Net operating income		24	67	50
Investment and other income		8	29	44
		<b>32</b>	<b>96</b>	94
Expenses				
Administrative expenses and income taxes		3	9	9
Interest expense		6	16	17
<b>Cashflow from operations before transaction gains</b>		<b>23</b>	<b>71</b>	68
Transaction gains		5	5	8
<b>Cashflow from operations and transaction gains</b>		<b>28</b>	<b>76</b>	76
Depreciation and amortization		4	11	7
<b>Net income</b>		<b>24</b>	<b>65</b>	69

Income per common share <sup>(1)</sup>

Basic	\$0.55	\$1.37	\$1.41
Fully diluted	\$0.54	\$1.34	\$1.37
Cashflow per fully diluted common share	\$0.66	\$1.64	\$1.54

<sup>(1)</sup> 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 September 30		for the nine months ended September 30	
	1999	1999	1998	
<b>Operating Activities</b>				
Net income	24	65	69	
Add (deduct) items not providing or requiring cash from operations				
Transaction gains	(5)	(5)	(8)	
Recovery on loan realizations	¾	¾	(1)	
Accrued income on loans receivable	¾	¾	(1)	
Depreciation and amortization	4	11	7	
	23	71	66	
Changes in other assets and liabilities	(10)	(10)	(11)	
	13	61	55	
<b>Investing activities</b>				
Decrease in securities	¾	8	—	
Loans receivable				
Advances to borrowers	¾	¾	(295)	
Loan principal paydowns and payoffs	60	79	385	
Commercial properties				
Acquisitions of properties	¾	(13)	(29)	
Tenant inducements and capitalized expenditures	(7)	(14)	(18)	
Redevelopment expenditures	(11)	(19)	(6)	
Dispositions of properties	16	16	21	
Other	¾	(12)	¾	
	58	45	58	
<b>Financing Activities</b>				
Lines of credit	¾	¾	(65)	
Increase (decrease) in mortgages payable	2	67	(28)	
Reduction in collateralized mortgage obligations	¾	¾	(1)	

Preferred share dividends paid	(5)	(15)	(14)
Common shares issued (repurchased)	$\frac{3}{4}$	(84)	1
	(3)	(32)	(107)
Increase in cash and cash equivalents	68	74	6
Cash and cash equivalents, beginning of period	20	14	29
Cash and cash equivalents, end of period	88	88	35

### ***Properties Portfolio***

as at October 15, 1999

<b>Property Name</b>	<b>Year Completed<sup>(4)</sup></b>	<b>Leasable Area (square feet in 000's)</b>	<b>Occupancy<sup>(5)</sup> (percent)</b>
<b>Office Properties</b>			
<b>Downtown, Toronto, Ontario</b>			
Exchange Tower Block			
Exchange Tower and TSE Pavilion	1981	1,029	94
105 Adelaide Street West <sup>(1)</sup>	1992	184	96
BCE Place Block			
20-22 Front Street West	1986	144	100
Newcourt Centre	1983	656	88
HSBC Building	1991	194	89
<b>Downtown, Calgary, Alberta</b>			
Petro-Canada Centre <sup>(3)</sup>	1984	1,725	96
Fifth Avenue Place <sup>(2)</sup>	1980	1,478	100
First Alberta Place	1982	298	97
Parking and other		649	N/A
Total office		6,357	96
<b>Retail Properties</b>			
<b>Regional Shopping Centres</b>			
Bramalea City Centre, Brampton, ON	1989	1,171	96
Londonderry Mall, Edmonton, AB	1992	769	93
Sevenoaks Shopping Centre, Abbotsford, BC	1991	554	85
<b>Community Shopping Centres</b>			
Sheridan Centre, Mississauga, ON <sup>(6)</sup>	1988	515	77
Malvern Town Centre, Scarborough, ON	1987	285	97
Merivale Place, Nepean, ON <sup>(6)</sup>	1974	162	73
Westney Heights Plaza	1995	101	100
<b>Other</b>			
Park Towers Apartments	1998	551	99
Metro East Trade Centre	1985	270	N/A
Total retail and other		4,378	93
Total office, retail and other		10,735	

Less: Proportionate shares owned by others	1,619	
<b>Gentra's net effective ownership interest</b>	<b>9,116</b>	<b>95</b>

*(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.*

## 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

(\$ millions)	September 30, 1999			December 31, 1998	
	Metro Toronto	Western Provinces	Other	Total	Total
Office	249	323	—	<b>572</b>	559
Retail	225	74	49	<b>348</b>	328
Other	41	—	2	<b>43</b>	4
	515	397	51	<b>963</b>	891

### 3. Loans Receivable

(\$ millions)	September 30, 1999			December 31, 1998	
	Ontario	Other	Total	Total	
Mortgages					
Office	45	20	<b>65</b>	92	
Retail	12	75	<b>87</b>	96	
Hotels	61	—	<b>61</b>	62	
Multi-family residential and other	9	8	<b>17</b>	28	
Corporate loans and other	—	—	—	32	
Total loans receivable	127	103	<b>230</b>	310	
Accrued interest			<b>1</b>	1	
Reserves			<b>(85)</b>	(86)	
Net loans receivable			<b>146</b>	225	

### 4. Cash and Cash Equivalents

Cash and equivalents are comprised of bank term deposits and high quality commercial paper.

### 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	<b>806</b>
Net income for the nine months ended September 30, 1999	—	65	<b>65</b>
Common shares repurchased	—	(84)	<b>(84)</b>
Preferred share dividends	—	(16)	<b>(16)</b>
Shareholders' equity, September 30, 1999	382	389	<b>771</b>

Regular dividends on cumulative preferred shares have been declared. Dividends of \$0.273438 per share on Series G, and \$0.273438 on Series J and M shares will be paid on November 14, 1999 to shareholders of record at October 29, 1999. Regular monthly dividends on Series K and Series N preferred shares were also declared.

During 1999 the Corporation has acquired 825,000 shares at an average price of \$13.94 under the normal course issue bid and repurchased 5,000,000 shares at \$14.50 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
September 30,								
Property revenue	88	68	58	50	¾	¾	¾	¾
Property expenses	50	41	29	27	¾	¾	¾	¾
Operating income	38	27	29	23	29	44	96	94
Admin expenses, interest & income taxes							25	26
Gains on disposition							5	8
Depreciation and amortization							11	7
Net income							65	69

## 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 has been working over the past year 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 included specific date-sensitive building systems such as building security, elevator controls, lighting and mechanical systems. Refer to page 21 of the 1998 Annual Report for additional information on the Company's Year 2000 program. Corrective actions identified in the compliance assessment have been implemented at all of Gentra's properties. The total costs to implement the corrective measures are approximately \$1.5 million, the majority of which are recoverable from tenants. Gentra has developed 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 and all purchases of new technology are Year 2000 compliant.

## Quarterly Financial Information

(\$ millions)	Sept 30	June 30	March 31	Dec 31	Sept 30
	1999	1999	1999	1998	1998
Commercial properties	963	948	893	891	690
Gross loans receivable	230	290	306	310	347
Net operating income	24	22	21	19	18
Investment and other income	8	11	10	10	16
Transaction gains	5	—	—	9	—
Net income	24	21	20	27	26
Cashflow from operations and transaction gains	28	25	23	30	28
<b>Per common share (fully diluted)</b>					
Net income	.54	.42	.38	.57	.50
Cashflow	.66	.52	.46	.64	.58