



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION**

**For the three and six months ended
June 30, 2017**

August 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CEO'S MESSAGE

The first half of 2017 builds on the global healthcare infrastructure foundation established and expanded by the REIT in 2015 and 2016. With long-term inflation-indexed assets driving income growth and portfolio value appreciation, the REIT delivered its eighth consecutive strong quarterly result. This was a particularly active quarter with acquisition of Generation Healthcare REIT ("Generation") in Australia which was successfully completed on July 13th. This acquisition serves to solidify the REIT's leading position in healthcare real estate in Australasia, increases the REIT's exposure to high quality, urban, healthcare infrastructure assets, and expands the pipeline of high quality and accretive development projects. Moreover, our increasing scale will enable us to leverage new opportunities to further improve and grow the business overtime. The REIT's acquisition pipeline remains highly active with \$250 million in high quality, and accretive acquisition opportunities. On top of improved financial and operating performance, the REIT has augmented its capital markets profile over the past six months, with two successful public offerings totaling \$184M, inclusion in the Solactive Equal Weight Canada REIT Index, and is approaching the threshold for inclusion in the S&P/TSX REIT Index. Taken together, the REIT is hitting its stride on a path to be the global leader in healthcare real estate.

For the three months ended June 30, 2017, the REIT delivered strong financial and operating results with key highlights as follows:

- AFFO per unit for the second quarter 2017 of \$0.25 and \$0.98 on an annualized basis (\$0.96 per unit on a normalized basis);
- AFFO payout ratio of 81.6% (83.3% normalized) for the second quarter based on the REIT's annual distribution of \$0.80 per unit;
- Recognition of a \$121.7M fair value gain in the REIT's total investment property portfolio, primarily driven by gains in Australasia;
- Net asset value of \$12.20 per unit, a slight decrease from Q1-2017 mainly due to the April 2017 equity offering and appreciation of the Canadian dollar relative to the REIT's other currencies;
- Leverage increased 288bps to 43.5% (51.7% including convertible debentures), from 40.6% (49.9% including convertible debentures) at the end of Q1-2016 largely due to financing in respect of the acquisition of Generation Healthcare REIT ("Generation");
- Strong portfolio occupancy of 95.7%, led by the international portfolio occupancy of 99%;
- Weighted average lease expiry of 11.4 years, underpinned by the international portfolio with a weighted average lease expiry of 15.8 years; and
- Canadian dollar same property NOI growth of 0.6% and 5.2%, relative to Q1-2017 and Q2-2016, respectively, driven largely by inflation indexation on leases at the REIT's international assets;
- Vital Healthcare Properties Trust ("Vital"), the REITs New Zealand listed subsidiary reported record FY 2017 results, highlighted by net profit after tax of NZ\$53M, up 37% over 2016.

During both the second quarter and subsequent to quarter end, the REIT has continued executing on committed, low-risk development and expansion projects, completing accretive debt and equity financings and pursuing select accretive acquisitions, including the addition of strategic healthcare assets in Australia – one of its core international markets.

Key initiatives include:

- A\$392M acquisition of Generation in mid-July. The REIT now owns 100% of the A\$695M - 16 property portfolio providing increased exposure to the robust Australian market and access to an accretive \$110M development pipeline;
- \$98M April equity offering, providing incremental capital to improve financial profile and partially fund the Generation acquisition;
- \$110M of property level debt refinanced in Q2-2017 with new mortgages totaling \$128.5M with the average interest rate declining 69 bps to 3.67%;
- \$85M of acquisitions in Australia/New Zealand including the purchase of the Ormiston Hospital, Hirondelle Private Hospital, and the Hills Clinic;
- \$45M Frankston Private Hospital expansion in Melbourne, Australia which is fully-leased for 20 years to Healthscope, Australia's second largest private hospital operator.

Looking ahead and building on strong quarterly and YTD results and portfolio improvements, the REIT anticipates reducing leverage to pre-Generation acquisition levels, continuing to drive internal growth through completion of its active development pipeline while adding accretive growth through \$159M of recently announced acquisitions and development opportunities. Finally, the REIT will advance ongoing discussions with new institutional partners in each of its international markets as a means to leverage its platform in the continuing consolidation of healthcare real estate globally.

In support of the REITs strategy, healthcare industry trends remain constructive globally.

I am pleased that the NorthWest global team has been able to deliver results at the high end of our guidance range underpinned by an even larger and better portfolio. This strong performance is supported by our long-term, inflation indexed assets and as a result the REIT is even better positioned to deliver stable and growing returns to its unitholders. Further, we continue to be the real estate partner of choice to the healthcare industry which provides exceptional global opportunities to grow accretively and enhance unitholder value.

Sincerely,

Paul Dalla Lana
Chief Executive Officer

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest**" or the "**REIT**") should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2017, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 31, 2017 (the "**Annual Information Form**") and the REIT's Management Information Circular dated April 14, 2016 (the "**Circular**"). This MD&A is current as of August 10, 2017 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

Throughout this MD&A the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa:

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
 - a) NWH.DB;
 - b) NWH.DB.A;
 - c) NWH.DB.B;
 - d) NWH.DB.C;
 - e) NWH.DB.D;
 - f) NWH.DB.E;
 - g) NWH.DB.F.
- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Trust Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes", "normalized", "run rate", "contracted", "stabilized", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations;

- any projections of financial performance of the REIT for the periods set out herein; including normalized, run-rate, contracted or stabilized metrics ;
- development opportunities;
- the expected tax treatment of the REIT’s distributions to Unitholders; and
- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT’s future growth potential, results of operations, future prospects and opportunities, demographic and industry trends remaining unchanged, future levels of indebtedness, the ability to access debt and capital markets, the tax laws as currently in effect remaining unchanged, the current economic and political conditions in the countries in which the REIT operates remaining unchanged, anticipated capital expenditures, future general and administrative expenses (including estimated synergies resulting therefrom) and contracted acquisition, disposition and development opportunities.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risks and Uncertainties” in this MD&A, as well as the section titled “Risk Factors” in the Annual Information Form and the Circular, which are hereby incorporated by reference in this MD&A.

These forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MARKET AND INDUSTRY DATA

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the third-party sources believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

PERFORMANCE MEASUREMENT

The key performance indicators by which management measures the REIT’s performance are as follows:

- Funds from operations (“**FFO**”);
- Adjusted funds from operations (“**AFFO**”);
- Normalized AFFO;
- Weighted average lease expiry (“**WALE**”);
- Weighted average interest rate;
- Occupancy levels;
- Debt – Declaration of Trust;

- Debt – Including Convertible Debentures;
- Adjusted EBITDA;
- Net operating income (“NOI”); and
- Net Asset Value (“NAV”) and Net Asset Value per unit (“NAV/unit”);
- Adjusted Liabilities;
- Same Property NOI.

“WALE” is a measurement of the average term (expressed in years) remaining in each of the REIT’s leases, weighted by the size of the gross leasable area (“GLA”) each lease represents of the total GLA of the REIT’s portfolio. WALE is a common performance measure used in the real estate industry which is useful in measuring the vacancy risk and the stability of future cash flows of the REIT’s properties.

“Occupancy levels” are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the REIT’s portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

Explanation of Non-IFRS measures used in this MD&A

FFO and AFFO are not measures recognized under International Financial Reporting Standards (“IFRS”) and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO and AFFO are supplemental measures of a Canadian real estate investment trust’s performance and the REIT believes that FFO and AFFO are relevant measures of its ability to earn and distribute cash returns to Unitholders. FFO and AFFO should not be construed as alternatives to net income (loss), or cash flow from operating activities, determined in accordance with IFRS as indicators of the REIT’s performance. The IFRS measurement most directly comparable to FFO and AFFO is net income (loss). The REIT’s method of calculating FFO and AFFO may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

In February 2017, the Real Property Association of Canada (“REALpac”) issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations (“ACFO”). The REIT is currently reviewing the new guidance and therefore has not adopted the White Paper AFFO and ACFO for the current quarter.

“FFO” is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; and (xi) strategic transaction costs, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

“AFFO” is defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vi) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (vii) incentive amount expense, and

(viii) deducting amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion.

We have provided an analysis of FFO and AFFO under **PART III – RESULTS FROM OPERATIONS, FUNDS FROM OPERATIONS (“FFO”)** and **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)**.

“Normalized AFFO” is a non-IFRS measure which management believes is relevant in representing its ability to earn and distribute cash returns to Unitholders. In addition to the adjusting items to arrive at AFFO, Normalized AFFO also adjusts for the full year effect of transactions occurring in the reporting period, transactions that have occurred subsequent to the reporting period, and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management’s expectations on a normalized level of activity. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management’s view, an estimate of AFFO on a stabilized basis. There is no standard industry-defined measure of Normalized AFFO. As such, the REIT’s method of calculating Normalized AFFO will differ from other issuers’ methods and, accordingly, will not be comparable to such amounts reported by other issuers.

The REIT’s **“Weighted average interest rate”** includes secured debt with fixed interest rates and excludes secured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

“Debt – Declaration of Trust” is a non-IFRS financial measure that represents the indebtedness definition outlined in the REIT’s Declaration of Trust. It includes the sum of the principal balance of mortgages, securities lending agreements, margin facilities, term loans, line of credit, and deferred consideration and excludes the Class B LP Units and the REIT’s Convertible Debentures. The Debt – Declaration of Trust is measured as a percentage of total assets or Gross Book Value. The REIT’s Declaration of Trust provides an operating guideline that sets a maximum level of indebtedness relative to Gross Book Value of 65%. The REIT measures Debt-Declaration of Trust each reporting period to ensure that the REIT remains compliant with the operating guidelines of the REIT’s Declaration of Trust in respect of indebtedness. The definition of indebtedness and maximum indebtedness ratio relative to Gross Book Value of the REIT’s declaration of trust may differ from the declarations of trust of other issuers and accordingly may not be comparable to similar measures used by other issuers.

“Debt – Including Convertible Debentures” is a non-IFRS financial measure and represents the sum of the REIT’s indebtedness as defined by the REIT’s declaration of Trust (Debt – Declaration of Trust, defined above) plus the amount of Convertible Debentures outstanding stated at fair value. The Debt – Including Convertible Debentures amount is intended to measure total leverage which is commonly reported by other issuers in the industry and is used an important measure in the management of debt levels. The Debt – Including Convertible Debentures is also stated as a ratio to total assets or Gross Book Value. The ratio is an important measure in determining the REIT’s capacity for incremental indebtedness to finance operations, maturing obligations or capital expenditures, as required. The definition of Debt – Including Convertible Debentures and its ratio relative to Gross Book Value of the REIT’s Declaration of Trust may differ and may not be comparable to similar measures used by other issuers.

“EBITDA” is a non-IFRS measure that is comprised of income (loss) before taxes, excluding mortgage and loan interest expense, distributions on Exchangeable Units and depreciation expense and amortization expense. It is a metric that can be used to determine the REIT’s ability to satisfy its obligations, including servicing its debt; but it may be affected by non-recurring items.

“Adjusted EBITDA” is a non-IFRS measure, defined by the REIT as, income (loss) before taxes excluding mortgage and loan interest expense, distributions on Exchangeable Units, other finance costs, depreciation expense and amortization expense, IFRS fair value changes associated with investment properties and financial instruments, DUP Compensation Expense, foreign exchange gains and losses, gains and losses on disposal of investment properties, adjustments for equity accounted associates, as well as, other items that management considers non-operating or non-recurring in nature. It is a metric that can be used to determine the REIT’s ability to satisfy its

obligations, including servicing its debt.

“Net Asset Value” or (“NAV”) is a non-IFRS measure, defined by the REIT as, total assets less total liabilities and less non-controlling interest, adjusted further to exclude the REIT’s proportionate share of the following: DUP Liability, deferred tax liability, accrued Ontario land transfer tax liability, derivative instruments and Class B LP Unit liability. **“NAV per Unit”** or sometimes presented as **“NAV/unit”** is an extension of NAV and defined as NAV divided by the number of units outstanding at the end of the period. The REIT considers NAV and NAV per Unit to be meaningful measures because it provides, in management’s view, an estimate of the underlying value of the REIT’s units. There is no standard industry-defined measure of NAV per Unit. As such, the REIT’s method of calculating NAV per Unit will differ from other issuers’ methods, and accordingly, will not be comparable to such amounts reported by other issuers.

“Adjusted Liabilities” is a non-IFRS measure, defined by the REIT as, total liabilities and non-controlling interest, excluding the REIT’s proportionate share of DUP Liability, deferred tax liability, accrued Ontario land transfer tax liability, derivative instruments and Class B LP Unit liability. Adjusted Liabilities is deducted from total assets to calculate the REIT’s non-IFRS measure, NAV per Unit, defined above. The REIT considers Adjusted Liabilities to be a meaningful measure because it provides, in management’s view, an estimate of the REIT’s liabilities that are expected to be settled in cash in the near term. Further, management views the Class B LP Unit liability to form part of the REIT’s equity regardless of it being accounted for as a financial liability under IFRS. There is no standard industry-defined measure of Adjusted Liabilities. As such, the REIT’s method of calculating Adjusted Liabilities will differ from other issuers’ methods, and accordingly, will not be comparable to such amounts reported by other issuers.

“Same Property NOI” is a non-IFRS measure, defined by the REIT as, NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for redevelopment. Management considers Same Property NOI to be a key operating metric used to evaluate same property performance. There is no standard industry-defined measure of Same Property NOI. As such, the REIT’s method of calculating Same Property NOI will differ from other issuers’ methods, and accordingly, will not be comparable to such amounts reported by other issuers.

Explanation of additional IFRS measure used in this MD&A

“NOI” is an industry term in widespread use. NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful additional measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses have been deducted, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and external leasing costs, and unrecoverable capital costs.

We have provided an analysis of NOI under **PART III – RESULTS FROM OPERATIONS – NET OPERATING INCOME.**

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through such measures as NOI, FFO and AFFO, management considers the following to be key drivers of current and future financial performance:

- the ability to access equity capital at a competitive/reasonable cost;
- the ability to access debt with terms and conditions that are cost effective; and
- the ability to acquire new properties on a yield accretive basis that enhance the REIT’s portfolio.

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT is a Canadian open-ended trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015, under the laws of the Province of Ontario (the “**Declaration of Trust**” or “**DOT**”). The REIT completed its initial public offering (“**IPO**”) on March 25, 2010. The REIT Trust Units are listed and publicly traded on the Toronto Stock Exchange (“**TSX**”) under the symbol NWH.UN. The REIT’s Convertible Debentures are listed and publicly traded on the TSX under the symbols NWH.DB, NWH.DB.A, NWH.DB.B, NWH.DB.C, NWH.DB.D, NWH.DB.E and NWH.DB.F.

On May 15, 2015, the REIT completed the plan of arrangement under the Business Corporations Act (Alberta) pursuant to which the REIT and NorthWest International Healthcare Properties REIT (“**NWI**”) combined to create a leading global diversified healthcare real estate investment trust with over \$2 billion of assets (the “**Combination Transaction**”). Pursuant to the Combination Transaction, the REIT acquired, among other things, all the assets of NWI and its subsidiaries became direct or indirect subsidiaries of the REIT, in accordance with the plan of arrangement. The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, other than dissenting unitholders. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI’s exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT Trust Units. NWI’s trust units which were traded on the TSX Venture Exchange (“**TSXV**”) under the symbol MOB.UN ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015. NWI’s convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSXV at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.

The REIT’s objectives are to:

- provide sustainable and growing cash distributions through focused investment in healthcare real estate globally;
- build a diversified, growth-oriented global portfolio of healthcare properties concentrated initially in Australia/New Zealand, Brazil, Canada and Germany;
- capitalize on growth opportunities both within its existing portfolio and through accretive acquisitions in its target markets; and
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management.

Declaration of Trust

The investment guidelines of the REIT are outlined in the REIT’s Declaration of Trust, a copy of which is filed on SEDAR. Further information regarding the Declaration of Trust can also be located in the REIT’s Annual Information Form under the heading “Declaration of Trust”. Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines (condensed summary)

1. The REIT may only invest directly or indirectly in interests in income-producing real estate and assets ancillary thereto necessary for the operation of such real estate;

2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and
3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a “mutual fund trust” or “unit trust” both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

Operating Policies (condensed summary)

1. The REIT shall not incur or assume any Indebtedness, as defined, if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of Gross Book Value;
2. Subsidiaries of the REIT may engage in construction or development of real property provided such real property meets the REIT’s investment guidelines and operating policies; and
3. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria.

At June 30, 2017, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

Strategic Direction

Market Opportunity

The REIT provides an opportunity for investors to gain exposure to healthcare real estate globally with a focus on MOBs and hospitals in major markets in Australia/New Zealand, Brazil, Canada and Germany. The REIT intends to provide sustainable and growing monthly cash distributions, while allowing investors to diversify their holdings beyond strictly the Canadian market. The REIT is the only publicly-listed real estate investment trust in Canada dedicated to investing in healthcare real estate globally.

Over the past several years, some of Canada’s largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in international commercial real estate while retaining a significant interest in the Canadian market.

The REIT believes that healthcare real estate represents a compelling asset class within commercial real estate, serving as a defensive asset class with both scale and growth. The REIT believes that international markets will continue to offer attractive healthcare real estate acquisition opportunities for the REIT in the future. To select international markets in which to expand, the REIT identifies key market characteristics that lead to growth in demand which may be similar to those occurring in Canada, specifically:

- Demographics: growing or aging population and increasing life expectancy, each of which are key drivers in the demand for healthcare services;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and
- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on “core business”, demand for new infrastructure, and growing public and private healthcare services.

Target Markets

Within the landscape of international healthcare real estate markets, the REIT has identified the following markets as the REIT's focus areas:

- **Canada:** an established market with selective, incremental growth opportunities and the stability of a government backed tenant base;
- **Brazil:** a high-growth market with experienced hospital operators, where the REIT has investments through long-term inflation indexed triple-net leases;
- **Germany:** a fragmented market with available first mover advantage, NOI growth through active management and the building of scale, which is similar to the REIT's experiences growing in Canada; and
- **Australasia:** an established market with consolidation opportunities and inflation indexed triple net rents, where the REIT has exposure through an investment in Vital Healthcare Property Trust ("**Vital Trust**") and Generation Healthcare REIT ("**GHC**").

The following table highlights certain key market data in connection with the REIT's target markets:

TABLE 1 - KEY MARKET DATA					
	Canada	Brazil	Germany	Australasia	
				New Zealand	Australia
Population ⁽¹⁾	36.3 Million	206.1 Million	82.8 Million	4.8 Million	24.1 Million
GDP Annual Growth Rate ⁽²⁾	2.30%	-0.40%	1.70%	2.50%	1.70%
Inflation ⁽³⁾	1.00%	3.00%	1.60%	1.70%	1.90%
5 Yr. Government Bond Yield ⁽⁴⁾	1.32%	10.35%	-0.22%	2.66%	2.19%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare
Notes					
(1) 2016 Estimate					
(2) March 2017					
(3) June 2017					
(4) June 30, 2017 closing rate					
Sources: Statistics Canada, Bank of Canada, Trading Economics, investing.com					

RELATIONSHIP WITH NWVP

As at June 30, 2017, NorthWest Value Partners Inc. ("**NWVP**") indirectly owned approximately 25% (approximately 20% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT.

FINANCIAL AND OPERATIONAL SUMMARY

The following is a summary of key financial and operational information for the periods indicated:

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS			
Expressed in thousands of Canadian dollars, except per unit amounts		As at	As at
		June 30, 2017	December 31, 2016
		(Unaudited)	(Unaudited)
Operational Information ⁽¹⁾			
Number of Properties - 100% of associates		143	138
Gross Leasable Area (sf) - 100% of associates		9,673,467	9,376,600
Occupancy % - 100% of associates		95.7%	95.6%
WALE (Years) - 100% of associates		11.4	11.1
Summary of Financial Information			
Gross Book Value ⁽²⁾	\$	4,161,721	\$ 3,328,533
Debt - Declaration of Trust ⁽³⁾	\$	1,810,466	\$ 1,382,784
Debt to Gross Book Value - Declaration of Trust		43.5%	41.5%
Debt - Including Convertible Debentures ⁽³⁾	\$	2,151,363	\$ 1,714,618
Debt to Gross Book Value - Including Convertible Debentures		51.7%	51.5%
Percentage of Mortgages and Loans Payable at Fixed Rates ⁽⁹⁾		69%	82%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.23%	4.39%
Adjusted Units Outstanding - period end ⁽⁵⁾			
Basic		106,502,097	88,435,233
		For the three	For the three
		months ended	months ended
		June 30, 2017	June 30, 2016
		(Unaudited)	(Unaudited)
		For the three	months ended
		months ended	March 31, 2017
		(Unaudited)	(Unaudited)
Operating Results			
Net Income / (Loss)	\$	161,799	\$ 25,838
NOI ⁽⁶⁾	\$	54,131	\$ 46,056
Funds From Operations ("FFO") ⁽⁶⁾	\$	25,912	\$ 17,710
Adjusted Funds From Operations ("AFFO") ⁽⁶⁾	\$	25,983	\$ 17,325
Distributions ⁽⁷⁾	\$	21,291	\$ 16,173
Interest Coverage ⁽⁴⁾		2.54	2.61
			2.54
Per Unit Amounts ⁽⁵⁾			
FFO per unit - Basic ⁽⁸⁾	\$	0.24	\$ 0.22
FFO per unit - fully diluted ⁽⁸⁾	\$	0.23	\$ 0.22
AFFO per unit - Basic	\$	0.25	\$ 0.22
AFFO per unit - fully diluted ⁽⁸⁾	\$	0.23	\$ 0.21
Distributions per unit	\$	0.20	\$ 0.20
AFFO Payout Ratio		82%	91%
AFFO Payout Ratio - fully diluted ⁽⁸⁾		86%	94%
			82%
			87%
Adjusted Weighted Average Units Outstanding ⁽⁵⁾			
Basic		106,015,975	78,982,759
Diluted - FFO ⁽⁸⁾		132,550,904	88,532,712
Diluted - AFFO ⁽⁸⁾		132,550,904	87,016,248
			120,722,716
			120,722,716

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.**Notes**

- (1) Operational information includes 100% of Vital Trust and GHC. The REIT has an exposure to an approximate 25% interest in Vital Trust and an approximate 94% interest in GHC.
- (2) Gross Book Value is defined as total assets.
- (3) As defined in Non-IFRS measures used in this MD&A.
- (4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.
- (5) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at June 30, 2017 and December 31, 2016.
- (6) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.
- (7) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.
- (8) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.
- (9) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER**Vital Acquisitions and Strategic Partnership**

On April 5, 2017, Vital Trust completed the acquisition of a private surgical hospital, Ormiston Hospital, located in Auckland, New Zealand for \$31,598 (NZ\$33,328). Ormiston Hospital is a private surgical hospital with over 70 leading medical specialists and surgeons utilizing the facility. The weighted average lease expiry at Ormiston Hospital is 5.6 years.

On May 11, 2017, Vital Trust announced it has entered into a conditional partnership with Acuity Health Group (Acuity) as its long-term real estate capital partner to support growth and redevelopment initiatives across Acuity's portfolio of private hospitals in New Zealand. The first stage of this partnership includes agreement to acquire the real estate assets at Acuity's Wellington based Wakefield and Bowen Private Hospitals for approximately \$65,000 (NZD\$68,000). The development projects, which include a significant redevelopment of Wakefield Private Hospital in Newtown, Wellington are likely to be in the order of \$95,000 (NZD\$100,000). The agreement remains subject to certain pre-settlement conditions being satisfied, including Overseas Investment Office and development project approvals.

On June 1, 2017, Vital Trust completed the acquisition of Hironnelle Private Hospital, 53-bed private rehabilitation hospital located within Sydney's lower North Shore suburb of Chatsworth for \$25,449 (NZD\$27,093). The recently refurbished hospital provides the north shore population with a modern rehabilitation facility including hydrotherapy pool. The hospital will be leased to Healthe Care for 25 years. Vital also acquired two adjacent residential sites and an option to acquire a third property for future expansion to meet forecast rising demand for rehabilitation services in the area.

Equity Raise

On April 6, 2017, the REIT completed a public offering of 9,179,300 REIT units, including 1,197,300 units issued pursuant the exercise in full of an over-allotment option, at a price of \$10.65 per unit, representing proceeds of \$93,139 (net of transaction costs of \$4,622).

The REIT used the net proceeds of the offering, together with existing resources, to fund the GHC Bid (defined hereafter).

Canadian Refinancing

On April 12, 2017, the REIT repaid a second mortgage on a Canadian investment property with an outstanding balance of \$20,000 and interest rate of 5.75%.

Concurrently, the REIT negotiated terms of its Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**), increasing the facility from \$80,000 to \$100,000 and extending expiry date from November 2, 2017 to November 2, 2019. The increase in the facility is secured as by Canadian investment properties.

On May 26, 2017, the REIT further amended and expanded the facility, adding an additional tranche of \$125,000 (“**Tranche D**”) with a maturity of May 27, 2018 in order to finance in part the purchases of GHC Units under the GHC Bid (defined hereafter). Tranche D bears interest at rates ranging from the bank's prime rate plus 3.5%-4.5% or Bankers' Acceptances plus 4.5%-5.5%. The interest rate applicable to Tranche D as at June 30, 2017 was 6.16%. As at June 30, 2017, the REIT had drawn \$107,125 on Tranche D with all proceeds being used to settle the acquisition of GHC units.

On May 2, 2017, the REIT entered into a non-revolving secured credit facility with a balance of \$51,203, which has a term of 1 year and bears interest at bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00% (the “**Non-Revolving Secured Credit Facility**”). The Non-Revolving Secured Credit Facility is secured by three Canadian investment properties and the terms of a general security agreement. Proceeds from the borrowing were partially used to repay \$47,456 of existing first and second Canadian mortgages bearing a weighted average interest rate of 4.43%. Upon maturity the non-revolving secured credit facility will provide the REIT flexibility to pursue its strategy of migrating towards an unsecured debt structure.

On June 15, 2017, consistent with the REIT's strategy to migrate towards an unsecured debt structure, the REIT renegotiated and extended the maturity date of a Canadian second mortgage with a balance of \$16,280, secured by three Canadian investment properties, bearing a floating interest rate of prime rate plus 2.75% or floor rate of 5.60%, by one year to July 1, 2018.

Australasian Secured Acquisition Facility

On April 23, 2017, the REIT amended and restated the terms of the Australasian Secured Financing to, among other things, increase loan availability thereunder by up to \$17,920 (A\$18,000). The amended and restated Australasian Secured Financing matures July 15, 2018 and bears an interest rate equal to the one-month bank bill reference rate of New Zealand, where applicable, plus 275 to 600 basis points depending on loan-to-fair market value of the Vital Trust units pledged. As at June 30, 2017 the incremental loan availability was fully drawn, with proceeds being used towards partially financing the GHC Bid (defined hereafter).

Concurrently, the REIT entered into a two year Australasian Secured Acquisition Facility with loan availability of up to \$171,243 (A\$172,000), subject to certain conditions relating to the GHC Bid (defined hereafter) and certain on-going loan-to-fair value tests (the “**Australasian Secured Acquisition Facility**”). The facility bears interest equal to the one-month bank bill reference rate of Australia plus 450 basis points for the first 12 months and 700 basis points for the following 12 months, payable semi-annually.

The interest rate applicable to the Australian Secured Acquisition Facility as at June 30, 2017 was 6.39%. As at June 30, 2017, the REIT had drawn \$171,243 (A\$172,000) on Australian Secured Acquisition Facility with all proceeds being used to settle the acquisition of GHC units.

GHC Bid

On April 24, 2017, the REIT announced an all-cash, unconditional, off-market takeover offer for the 77.3% (170,567,269) outstanding units of GHC that it did not already own (the “**GHC Bid**”). The offer was A\$2.24 per GHC unit outstanding. On May 4, 2017, based on receiving the recommendation of GHC’s independent directors, the REIT announced it had increased the offer price to a best and final of A\$2.30 per GHC unit. Under the terms of the GHC bid, the REIT purchased an additional 156,434,870 GHC units for \$365,377 (A\$359,800), increasing the REIT’s interest in GHC to 93.6% as at June 30, 2017.

On June 16, 2017, the REIT had acquired more than 90% interest in GHC. Consequently, the REIT dispatched a compulsory acquisition notice under the GHC Bid which suspended the trading of GHC units on Australian Securities Exchange. The REIT completed the compulsory acquisition of all outstanding GHC units on July 14, 2017. See **Subsequent Events**.

German Refinancing

On June 30, 2017, the REIT completed, the refinancing of mortgages secured against 12 of the REIT’s properties located in Leipzig and Hamburg, Germany. The refinancing replaced current mortgages with an outstanding balance of \$20,081 (€13,573), weighted average interest rate of 1.97% and weighted average term to maturity of 2.66 years. The refinancing represents two mortgages totaling \$27,222 (€18,400), bearing interest rates ranging from 1.83% to 1.94% (weighted average interest rate of 1.89%) and terms ranging from 5-10 years representing a weighted average term of 7.53 years.

SUBSEQUENT EVENTS

Completion of GHC Acquisition

On July 14, 2017, the REIT completed the compulsory acquisition of all outstanding units of GHC by purchasing the remaining 6.4% of GHC representing 14,132,399 GHC units for approximately \$33,008 (A\$32,505), excluding transaction costs. Concurrently, the GHC passed a resolution to appoint NorthWest Healthcare Australia RE Limited (a subsidiary of the REIT) as the responsible entity of GHC. The completion of the GHC acquisition was funded with existing resources and headroom on the existing credit facilities.

See Note 27 (Subsequent Events) of the REIT’s unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017, for the pro forma purchase equation and pro forma financial impact of the GHC acquisition. The full analysis of the impact of the transaction, including risks and uncertainties, has not been completed as at the date the MD&A. As such disclosures in this MD&A have not been updated to reflect the impact of this subsequent event.

Credit Facility Amendment

On July 5, 2017, the REIT amended its terms of its Revolving Credit Facility to increase the allowable borrowings by \$5,000.

Vital Acquisition

On August 1, 2017, Vital Trust settled the previously announced acquisition of The Hills Clinic located in Sydney, Australia for approximately \$30,167 (NZ\$30,300). The Hills Clinic is a two-level purpose-built private mental health hospital with 59 beds, 8 consulting rooms and approximately 30 referring clinicians. The weighted average lease expiry at The Hills Clinic is 30 years.

Other

On July 14, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on July 31, 2017, payable August 15, 2017. On August 10, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on August 31, 2017, payable September 15, 2017.

ASSETS OF THE REIT

Summary

The following table summarizes the REIT's assets by region as at June 30, 2017:

TABLE 3 - SUMMARY OF ASSETS						
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	GHC ⁽²⁾	Consolidated Total ⁽⁵⁾
Number of Properties	58	7	22	(Australasia) 40	(Australasia) 16	143
Asset Mix	100% MOB	100% Hospital	100% MOB	24% MOB/76% Hospital	75% MOB/25% Hospital	53% MOB/47% Hospital
Gross Leaseable Area ("GLA") (million sf)	4.0	1.5	0.9	2.2	1.1	9.7
Total Assets (Cdn\$ millions) ⁽³⁾	\$1,246	\$667	\$241	\$1,320	\$755	\$4,162
Occupancy	91.5%	100.0%	96.3%	98.8%	98.1%	95.7%
WALE (Years)	4.8	21.2	5.0	18.0	13.6	11.4
Average Building Age (Years)	29	12	24	20	11	22
Weighted Average Implied Cap Rate ⁽⁴⁾	6.6%	8.2%	5.8%	6.0%	5.7%	6.6%

Notes

(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

(2) Shown on a 100% basis. The REIT has an approximate 94% interest in GHC and equity accounts for its interest in GHC.

(3) Consolidated Total includes corporate assets, Vital Manager, GHM and includes the REIT's carrying value of its approximate 94% interest in GHC which is an equity accounted associate.

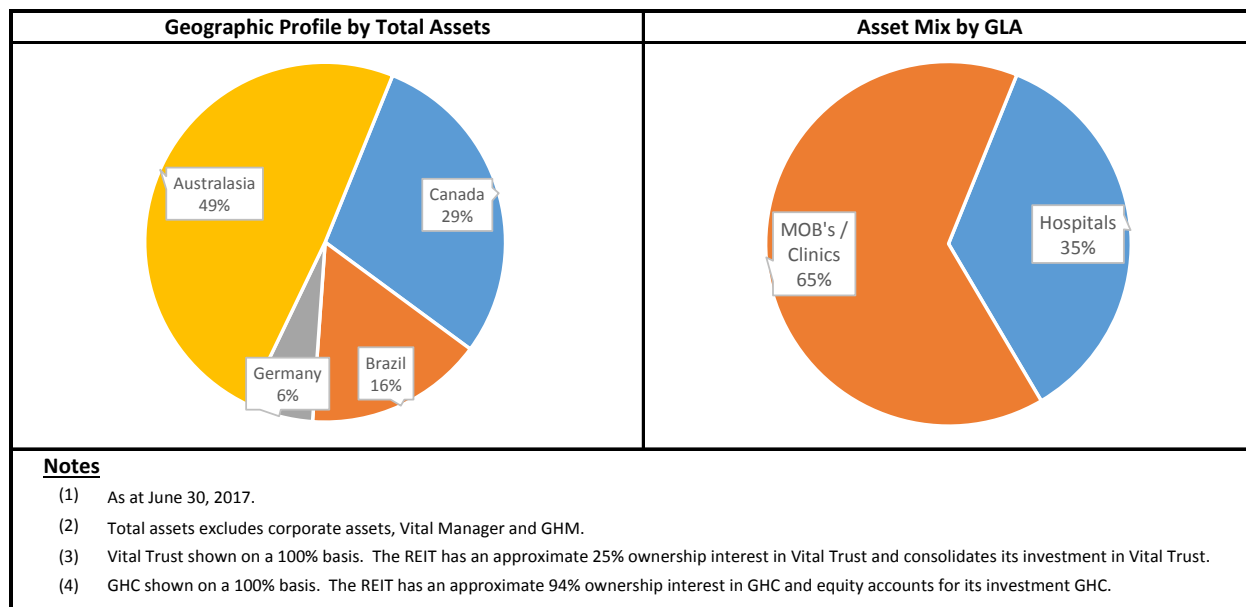
(4) GHC's cap rate is as disclosed on June 30, 2017. The consolidated weighted average implied cap rate excludes GHC which is an equity accounted associate.

(5) Shown on a 100% basis except for Total Assets which includes the REIT's carrying value of GHC which is an equity accounted associate and weighted average implied cap rate which excludes GHC.

See PART XI – PROPERTY TABLE for additional property portfolio information.

Diversification of Assets

The REIT's assets are diversified geographically and by asset type as follows:



Geographic Diversification

The REIT aims to provide its investors with an exposure to a well-diversified portfolio of healthcare real estate located in the greater areas of cities such as: Auckland (New Zealand), Berlin (Germany), Calgary (Canada), Edmonton (Canada), Halifax (Canada), Melbourne (Australia), Montreal (Canada), Quebec City (Canada), Rio de Janeiro (Brazil), Sao Paulo (Brazil), Brasília (Brazil), Sydney (Australia) and Toronto (Canada).

Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. During the last year, Vital Trust has also acquired five aged care facilities. A brief summary of each asset type is below:

Hospitals:

The REIT's hospital portfolio is located in Australia, Brazil and New Zealand and represents a diversified portfolio of facilities providing healthcare services by best-in-class private hospital operators and philanthropic foundations.

All of the REIT's hospitals are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk.

In the REIT's target markets, the opportunity may also exist to invest in healthcare facilities commonly referred to as rehabilitation, or rehab hospitals. These facilities typically provide in-patient care for recovery and rehabilitation from surgery or other acute care procedures and/or for the treatment, including preventative, of neurological and mental health issues. The REIT's potential investment in rehab hospitals would likely include many of the same attributes as its investments in traditional hospitals, namely longer term single-tenant leases to larger, well-established operators.

Medical office buildings ("**MOB**"):

The REIT's MOB portfolio is located in Australia, Canada, Germany and New Zealand.

MOBs are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity-based healthcare providers.

Aged Care Facilities:

The REIT's aged care facilities are located in Australia. Aged care provides support and accommodation for those elderly who choose to have their personal and/or nursing care provided within aged care accommodation.

The REIT's aged care facilities are leased to Hall & Prior Health and Aged Care Group, one of Australia's leading private aged care operators, for 20 years on triple net leases with annual CPI reviews and periodic market reviews.

As at June 30, 2017, and including the REIT's interest in Vital Trust and GHC both on a 100% basis, the REIT had interests in 33 hospitals, 8 aged care facilities and 102 medical office buildings or development sites.

Canada - Largest non-government owner and manager of medical office buildings and healthcare facilities

The REIT is Canada's largest non-government owner and manager of MOBs and healthcare facilities. The REIT owns and operates, as at June 30, 2017, a portfolio of 58 properties, located primarily in major markets such as Toronto,

Montreal and Calgary, with a GLA of 4.0 million square feet, 91.5% occupancy and approximately 1,100 tenants. The REIT's portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The Canadian region has a fully-integrated team of investment, development, asset management and portfolio operations professionals.

Brazil – Long term net leases to private hospital operators

The REIT owns a portfolio of seven private hospitals varying in size, with the smallest comprising 96,875 square feet with 56 beds and the largest consisting of a 342,000 square foot full-service hospital with 350 beds. The assets are located in São Paulo, Brasília and Rio de Janeiro. The hospitals are single tenant properties. Six hospitals are leased to Rede D'Or Sao Luiz (the "**Rede D'Or Hospital Portfolio**"), a privately owned Brazilian hospital operator with 30 hospitals across the country, and one hospital (the "**Sabará Children's Hospital**") is leased to Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals. All the leases are triple-net, indexed to inflation, ranging in term from 15 years (7.3 years remaining) to 25 years (24.3 years remaining) with a WALE of 21.2 years. The Brazil region is supported by a local team with significant experience in investment, development, property operations and asset management.

Germany – High quality MOB assets located in major markets

As at June 30, 2017 the REIT's German portfolio consists of 22 high quality MOB assets strategically located in the country's major markets, including Berlin, Frankfurt, Ingolstadt, Hamburg and Leipzig. As at June 30, 2017 the portfolio has a 96.3% occupancy rate and an approximate 5.0 year average lease term. The REIT also benefits from the strength of its fully-integrated investment, property management and asset management capabilities located in the market, which allow for efficient operation and transaction sourcing in the country.

Australasia – Strategic Interest in Vital Trust and GHC

25% of Vital Trust and 100% of Vital Manager

The REIT acts as manager and owns an approximate 25% strategic stake in Vital Healthcare Property Trust ("**Vital Trust**"). Vital Trust (NZX: VHP) is a New Zealand Stock Exchange ("**NZX**") listed investment fund and is Australasia's largest healthcare real estate owner. As at June 30, 2017 Vital Trust owns 22 private hospitals, 9 MOB's, 5 aged care facilities and 4 development sites in Australia and New Zealand, with a 98.8% occupancy rate and an approximate 18.0 year average lease term. Through Vital Trust, the Australasia portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The Vital team is a fully integrated operation with offices in Melbourne, Australia and Auckland, New Zealand comprised of leading investment, development, asset management and property operations professionals.

As at June 30, 2017, the REIT's equity interest in Vital Trust represents 105,977,179 units (December 31, 2016 - 105,977,179) which had a fair value at June 30, 2017 of \$2.15 (NZ\$2.26) per unit (December 31 - \$1.88 (NZ\$2.02)). Table 3 above highlights certain information about Vital Trust as at June 30, 2017, on a 100% basis; noting, however, that the REIT has a 25% interest in Vital Trust.

As a result of the REIT's ownership of the rights and obligations relating to the management of Vital Trust through the Vital Manager, the REIT determined it has control with respect to its investment in Vital Trust and therefore accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

In exchange for its services, the Vital Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee. Management fees are calculated at 0.75% of the monthly average of the gross value of the assets of Vital Trust for the quarter ended on the last day of the month. Incentive fees are earned when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding years. The incentive fee is 10% of the amount of the increase with payment being received by way of subscribing for new units of Vital Trust. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the trust. In addition, the Vital Manager earns management fees in its capacity as manager, with an Australian Financial Services License, of one of Vital Trust's Australian subsidiary trusts.

The following table summarizes the management fees earned by Vital Manager for the three and six months ended June 30, 2017 and 2016:

VITAL MANAGER MANAGEMENT FEES						
Expressed in thousands of Canadian dollars						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Audited)	2016 (Audited)	Variance (Audited)
Base fee	\$ 2,211	\$ 1,579	\$ 632	\$ 4,214	\$ 3,067	\$ 1,147
Incentive fee	1,651	1,171	480	8,345	2,688	5,657
Trustee fees	113	85	28	217	168	49
Project and Acquisition fees	2,114	432	1,682	2,814	1,136	1,678
Total Management Fees	\$ 6,089	\$ 3,267	\$ 2,822	\$ 15,590	\$ 7,059	\$ 8,531
less inter-company component	(6,089)	(3,267)	(2,822)	(15,590)	(7,059)	(8,531)
Consolidated Management Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

For Vital Trust's June 30, 2017 year end, the Vital Manager earned an incentive fee of \$11,647 (NZ\$12,314) of which \$1,651 (A\$1,741) and \$8,345 (A\$8,852) was recorded in the three and six months ended June 30, 2017, respectively.

The Vital Manager fees are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust.

94% of Generation Healthcare REIT and 100% of Generation Manager

The REIT acts as manager and owns an approximate 94% strategic stake in Generation Healthcare REIT ("GHC"). GHC (ASX: GHC.AX) is an Australian Securities Exchange ("ASX") listed investment fund and is Australia's only listed real estate entity that invests exclusively in healthcare property. As at June 30, 2017 GHC owns a portfolio of 16 hospitals, medical centers and aged care facilities centered around the major markets of Sydney, Melbourne and Brisbane. GHC's portfolio comprises approximately 1.1 million square feet, is approximately 98.1% occupied and has a weighted average lease expiry term of 12.3 years. The GHC portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The GHC team is a fully integrated operation with an office in Melbourne, Australia comprised of leading investment, development, asset management and property operations professionals.

As at June 30, 2017, the REIT's equity interest in GHC represents 206,609,948 units (December 31, 2016 – 43,475,078). Table 3 above highlights certain information about GHC as at June 30, 2017, on a 100% basis; noting, however, that the REIT has an approximate 94% interest in GHC.

Subsequent to the quarter, the REIT completed the compulsory acquisition of 100% of the outstanding units of GHC. See **Subsequent Events**.

The following table summarizes the REIT's interest in GHC as at June 30, 2017 and December 31, 2016:

GENERATION HEALTHCARE REIT		
	As at	As at
	June 30, 2017	December 31, 2016
	(Unaudited)	(Unaudited)
Expressed in thousands of Canadian dollars		
Assets		
Investment properties	\$ 691,674	\$ 538,463
Loans receivable	35,026	35,532
Other assets	28,511	27,738
	<u>755,211</u>	<u>601,733</u>
Liabilities		
Mortgages and loans payable	234,333	200,806
Financial instruments	8,777	9,076
Other liabilities	16,727	26,994
	<u>259,837</u>	<u>236,876</u>
Net assets	495,374	364,857
Less: Non-controlling interest	(57,942)	(37,867)
Unitholders' Equity	437,432	326,990
Ownership Interest	93.6%	19.8%
NWH share of net assets	409,427	64,816
Acquisition costs and goodwill	97,921	30,535
Investment in associate	\$ 507,348	\$ 95,351

For information on the REIT share of profit and loss of GHC see **PART III – RESULTS FROM OPERATIONS - Share of profit (loss) of associates**.

In June 2016, the REIT purchased Generation Healthcare Management Pty Limited ("GHM") from APN Property Group Limited ("APN") and senior executives of GHM's management team. The existing GHM management team was retained, and continued to operate GHC. GHC's existing responsible entity and trustee, APN Funds Management Limited remained in that role, and any future changes to the responsible entity required the approval of GHC unitholders. The responsible entity of GHC is the trustee of GHC and is required to act in the best interests of GHC unitholders. In addition, APN has agreed to provide certain services to the REIT for a transition period of up to two years to ensure a successful transition.

On July 17, 2017, in connection with the completion of the GHC bid, GHC passed a resolution to appoint NorthWest Healthcare Australia RE Limited (a subsidiary of the REIT) as the responsible entity. Concurrently, APN's involvement with GHC ceased to continue. See **Subsequent Events**.

The management fees that GHM earns from GHC consist of (a) a base management fee of up to 60 basis points on the gross asset value of GHC, (b) market property management and leasing fees, (c) development fees of up to 3% of project costs, (d) acquisition fees of up to 2% of total acquisition cost, and (e) performance fees equal to 5% of the dollar amount of outperformance versus the S&P/ASX300 Property Accumulation Index (A-REIT), plus 15% of the outperformance above 2% per annum. GHC may only pay out, in any one fiscal year, fees (comprised of base management fees and performance fee) to a maximum of 1.5% of Gross Assets, as defined. Any unpaid fees as a result of the fee cap, are accrued and paid out in subsequent periods, as allowed.

The following table summarizes the management fees earned by GHM for the three and six months ended June 30, 2017 and 2016:

GENERATION HEALTHCARE MANAGER MANAGEMENT FEES						
Expressed in thousands of Canadian dollars	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Base fee	\$ 875	\$ -	\$ 875	\$ 1,644	\$ -	\$ 1,644
Performance fee	9,850	-	9,850	9,850	-	9,850
Project and Acquisition fees	571	-	571	726	-	726
Other Fees	587	-	587	719	-	719
Total Management Fees	\$ 11,883	\$ -	\$ 11,883	\$ 12,939	\$ -	\$ 12,939
less inter-company component	(5,262)	-	(5,262)	(5,455)	-	(5,455)
Consolidated Management Fees	\$ 6,621	\$ -	\$ 6,621	\$ 7,484	\$ -	\$ 7,484

During the three months ended June 30, 2017, GHM earned a performance fee of \$9,850 (\$9,850 for the six months ended June 30, 2017) from GHC which is driven by the outperformance of the GHC unit price relative to the A-REIT index for the period from January 1, 2017 to June 30, 2017. GHM also earned activity based fees totaling \$1,158 during the three months ended June 30, 2017 (\$1,145 for the six months ended June 30, 2017) primarily related to milestones reached on development and leasing activities during the period.

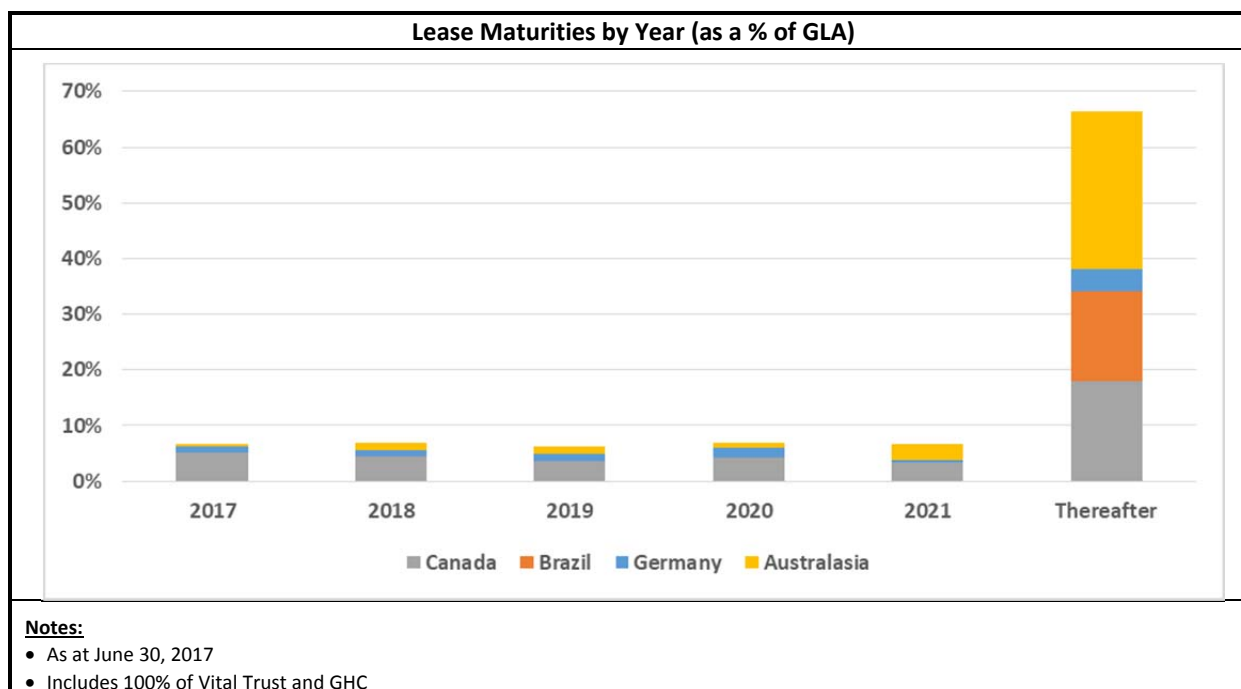
As the REIT equity accounts for its interest in GHC, the REIT eliminates the intercompany portion of the fees earned by GHM to the extent of the REIT's average ownership of GHC during the period over which the fees are earned. The REIT's weighted average ownership of GHC during the three months ended June 30, 2017 was 45.0% (32.5% for the six months ended June 30, 2017).

In July 2017, the REIT completed the acquisition of 100% of GHC and concurrently passed a resolution to appoint NorthWest Healthcare Australia RE Limited (a subsidiary of the REIT) as the responsible entity of GHC. See **Subsequent Events**. The REIT will consolidate GHC from the date of acquisition of control in July 2017. Accordingly, from the date of acquisition of control, the management fees in GHM (and related expense in GHC) will be eliminated on consolidation.

PORTFOLIO PROFILE

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 11.4 years as at June 30, 2017.



	2017	2018	2019	2020	2021	Thereafter	Total
Canada	5.2%	4.5%	3.6%	4.2%	3.3%	18.0%	38.8%
Brazil	0.0%	0.0%	0.0%	0.0%	0.0%	16.2%	16.2%
Germany	1.0%	1.0%	1.3%	1.9%	0.6%	3.9%	9.7%
Australasia	0.5%	1.5%	1.4%	0.9%	2.7%	28.3%	35.3%
Total	6.7%	7.0%	6.3%	7.0%	6.6%	66.4%	100.0%

The REIT's expiry profile benefits from its Brazilian properties which are subject to long term leases. The seven Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and October 24, 2041. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 18.0 years and GHC which has a WALE of 13.6 years.

The below table summarizes the REIT's WALE allocated by asset type as at June 30, 2017:

	Asset Mix		WALE		Total
	MOB	Hospitals/ Clinics	MOB	Hospitals/ Clinics	
Canada ¹	100%	0%	4.8	-	4.8
Brazil	0%	100%	-	21.2	21.2
Germany	100%	0%	5.0	-	5.0
Vital ¹	24%	76%	9.6	19.9	18.0
GHC ¹	75%	25%	13.5	14.0	13.6
Notes					
1 Excluding development projects					

Lease Indexation

As at June 30, 2017, over 56.9% of the REIT's revenue (95.8% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at June 30, 2017:	<u>% of Revenue</u> ⁽¹⁾
Canada	0.0%
Brazil	100.0%
Germany	91.1%
Vital	94.2%
GHC	95.6%
International Total/Weighted Average ⁽²⁾	95.8%
Portfolio Total / Weighted Average ⁽²⁾	56.9%
Notes	
1 Includes revenue which is subject to inflationary adjustments and market reviews	
2 Shown on a 100% basis. The REIT has an approximate 94% interest in GHC and equity accounts for its interest in GHC.	

Leasing Activity

TABLE 3A - LEASING ACTIVITY					
	Three months ended June 30, 2017				Total
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	
Opening Occupancy	91.9%	100.0%	94.7%	98.8%	95.7%
Opening Balance	3,598,805	1,493,329	881,546	2,061,957	8,035,637
Acquisition	-	-	-	88,207	88,207
Disposition	-	-	-	-	-
Expiries	(93,595)	-	(30,181)	(6,811)	(130,587)
Renewal	60,805	-	19,360	6,257	86,422
Early Terminations	(15,821)	-	-	-	(15,821)
New Leasing	23,895	-	25,902	-	49,797
Month-to-Month	4,605	-	-	-	4,605
Remeasurements and other	302	-	-	-	302
Closing Balance	<u>3,578,996</u>	<u>1,493,329</u>	<u>896,627</u>	<u>2,149,610</u>	<u>8,118,562</u>
Closing Occupancy	91.5%	100.0%	96.3%	98.8%	95.7%
Six months ended June 30, 2017					
	Canada	Brazil	Germany	Vital Trust ⁽¹⁾	Total
Opening Occupancy	91.6%	100.0%	95.4%	98.7%	95.6%
Opening Balance	3,581,880	1,493,329	801,391	1,998,501	7,875,101
Acquisition	-	-	85,337	142,576	227,913
Disposition	-	-	-	-	-
Expires	(268,839)	-	(84,581)	(11,289)	(364,709)
Renewal	194,044	-	63,583	9,335	266,962
Early Terminations	(21,294)	-	-	-	(21,294)
New Leasing	69,412	-	38,070	2,148	109,630
Month-to-Month	19,578	-	-	2,273	21,851
Remeasurements and other	4,215	-	(7,173)	6,066	3,108
Closing Balance	<u>3,578,996</u>	<u>1,493,329</u>	<u>896,627</u>	<u>2,149,610</u>	<u>8,118,562</u>
Closing Occupancy	91.5%	100.0%	96.3%	98.8%	95.7%
Notes					
(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.					
(2) Excludes GHC which is equity accounted by the REIT.					

Canada

During the quarter the REIT completed 60,805 square feet of renewal leasing. The REIT completed the renewals at an initial net rent of \$16.17 per square foot versus an expiring net rent per square foot of \$15.55, a 4.0% increase. During the quarter the REIT also completed 23,895 square feet of new leasing at an initial net rent of \$9.98 per square foot.

Year to date the REIT completed 194,044 square feet of renewal leasing representing 72% renewal rate. The REIT completed the renewals at an initial net rent of \$14.02 per square foot versus an expiring net rent per square foot of \$13.83 per square foot, a 1.4% increase. Year to date the REIT also completed 69,412 square foot of new leasing at an initial net rent of \$14.73 per square foot.

As at June 30, 2017 the REIT had 206,396 square feet of committed leasing against future expiries at an initial net rent of \$13.15 versus expiring net rent per square foot of \$19.81, a decrease of \$6.66 per square foot. Excluding two non-medical committed renewals in the West and Quebec regions, the initial renewing net rent vs expiring net rent per square foot would have been flat. The REIT also had 70,090 square feet of committed leasing against vacant space at an initial net rent of \$14.16 per square foot.

Expiring net rent improved slightly to \$18.31 in the second quarter 2017, from \$18.26 in the first quarter 2017, primarily due to expiries of two tenants at lower than average net rental rates in the West region.

TABLE 3B - EXPIRING NET RENT (\$PSF)	
June 30, 2017	
	Canada
Month-to-Month	\$ 16.86
2017	\$ 20.60
2018	\$ 16.33
2019	\$ 16.32
2020	\$ 17.56
2021	\$ 17.87
2022+	\$ 19.01
Total Expires	\$ 18.31

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 21.2 years) and there was no leasing activity during the quarter.

Germany

During the quarter, the REIT completed 19,360 square feet of renewal leasing. These renewals were completed at an initial net rent of €9.30 per square foot versus an expiring net rent per square foot of €9.21, a 1.0% increase. During the quarter the REIT completed 25,902 square feet of new leasing at an initial net rent of €8.12 per square foot, with the lower average net rent because of relatively higher weighting of the Leipzig leasing activity.

Year to date, the REIT has completed 63,583 square feet of renewal leasing representing a 94% renewal rate. The REIT completed the renewals at an initial net rent of €9.30 per square foot versus an expiring net rent per square foot of €9.26, a 0.4% increase. Year to date the REIT also completed 38,070 square feet of new leasing at an initial net rent of €8.05 per square foot.

Overall occupancy increased from 94.7% to 96.3% during the period, which is largely due to higher leasing momentum in the Leipzig portfolio

TABLE 3B - EXPIRING NET RENT (€PSF)	
June 30, 2017	
	Germany
Month-to-Month	€ 8.63
2017	9.80
2018	9.85
2019	9.80
2020	9.97
2021	12.98
2022+	11.38
Total Expires	€ 10.62

Vital Trust

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter other than the acquisition of Hironnelle Private Hospital (34,402 square feet; WALE 25.4 years) and Ormiston Hospital (53,805 square feet; WALE 5.7 years).

GHC

During the quarter GHC completed 77,702 square feet of new leasing generating initial annual rent of approximately \$2,000 with a 20 year lease term. The REIT equity accounts for its investment in GHC.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended June 30, 2017:

	<u>Tenant</u>	<u>Country</u>	<u>%</u>	<u># of locations</u>
1	Rede D'Or	Brazil	17.6%	6
2	Health Care	Australia	12.2%	14
3	Epworth Foundation	Australia	3.0%	3
4	Bantrel Co.	Canada	2.0%	1
5	CISSS / CIUSSS	Canada	1.9%	6
6	Hall & Prior	Australia	1.4%	5
7	Mercy Ascot	New Zealand	1.3%	2
8	Sportsmed SA	Australia	1.1%	3
9	Winnipeg Regional Health Authority	Canada	0.9%	3
10	Alberta Health Services	Canada	0.9%	5
			<u>42.3%</u>	<u>48</u>

Notes:
Excludes GHC which is equity accounted by the REIT.
Vital Trust included on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

INVESTMENT PROPERTIES

The fair value of investment properties as at June 30, 2017 was \$3,409,761 (December 31, 2016 - \$3,040,354) representing an implied weighted average capitalization rate of 6.6% (December 31, 2016 – 7.0%).

TABLE 4 - INVESTMENT PROPERTIES					
Expressed in thousands of Canadian dollars					
Unaudited					
Three months ended June 30, 2017					
Income Properties					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,218,688	\$ 696,943	\$ 221,313	\$ 1,120,713	\$ 3,257,657
Acquisitions of investment properties	-	-	-	59,466	59,466
Addition to investment properties	5,171	13	903	913	7,000
Increase in straight-line rents	303	-	-	-	303
Transfers from (to) properties under development	-	-	-	-	-
Amortization of deferred revenue	-	317	-	-	317
Fair value gain (loss)	539	3,321	(1,087)	117,453	120,226
Foreign currency translation	-	(55,122)	9,325	(20,155)	(65,952)
Closing Balance	\$ 1,214,176	\$ 645,472	\$ 230,454	\$ 1,278,390	\$ 3,368,492
Properties Under Development					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 10,390	\$ -	\$ -	\$ 17,286	\$ 27,676
Acquisitions of investment properties	-	-	-	-	-
Addition to investment properties	54	-	-	11,913	11,967
Transfers from (to) income properties	-	-	-	-	-
Transfers from (to) assets held for sale	-	-	-	-	-
Amortization of deferred revenue	-	-	-	-	-
Fair value gain (loss)	-	-	-	-	-
Foreign currency translation	-	-	-	174	174
Closing Balance	\$ 10,444	\$ -	\$ -	\$ 29,373	\$ 39,817
Total					
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,229,078	\$ 696,943	\$ 221,313	\$ 1,137,999	\$ 3,285,333
Acquisitions of investment properties	-	-	-	59,466	59,466
Addition to investment properties	5,225	13	903	12,826	18,967
Increase in straight-line rents	303	-	-	-	303
Transfers from (to) assets held for sale	(10,525)	-	-	-	(10,525)
Amortization of deferred revenue	-	317	-	-	317
Fair value gain (loss)	539	3,321	(1,087)	117,453	120,226
Foreign currency translation	-	(55,122)	9,325	(19,981)	(65,778)
Closing Balance	\$ 1,224,620	\$ 645,472	\$ 230,454	\$ 1,307,763	\$ 3,408,309

TABLE 4A - INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars Unaudited	Six months ended June 30, 2017				
	Income Properties				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,201,788	\$ 642,901	\$ 189,432	\$ 994,113	\$ 3,028,234
Acquisitions of investment properties	96	-	32,570	112,005	144,671
Addition to investment properties	9,519	51	2,214	1,567	13,351
Increase in straight-line rents	879	-	-	-	879
Transfers from (to) properties under development	-	-	-	-	-
Transfers from (to) assets held for sale	(10,525)	-	-	-	(10,525)
Amortization of deferred revenue	-	635	-	-	635
Fair value gain (loss)	12,419	36,205	(3,815)	148,277	193,086
Foreign currency translation	-	(34,320)	10,053	22,428	(1,839)
Closing Balance	<u>1,214,176</u>	<u>\$ 645,472</u>	<u>\$ 230,454</u>	<u>\$ 1,278,390</u>	<u>\$ 3,368,492</u>
	Properties Under Development				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 8,494	\$ -	\$ -	\$ 3,626	\$ 12,120
Acquisitions of investment properties	2,214	-	-	-	2,214
Addition to investment properties	106	-	-	24,778	24,884
Transfers from (to) income properties	-	-	-	-	-
Transfers from (to) assets held for sale	-	-	-	-	-
Amortization of deferred revenue	-	-	-	-	-
Fair value gain (loss)	(370)	-	-	-	(370)
Foreign currency translation	-	-	-	969	969
Closing Balance	<u>\$ 10,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,373</u>	<u>\$ 39,817</u>
	Total				
	Canada	Brazil	Germany	Vital Trust	Total
Opening Balance	\$ 1,210,282	\$ 642,901	\$ 189,432	\$ 997,739	\$ 3,040,354
Acquisitions of investment properties	2,310	-	32,570	112,005	146,885
Disposition of investment properties	-	-	-	-	-
Addition to investment properties	9,625	51	2,214	26,345	38,235
Increase in straight-line rents	879	-	-	-	879
Transfers from (to) assets held for sale	(10,525)	-	-	-	(10,525)
Amortization of deferred revenue	-	635	-	-	635
Fair value gain (loss)	12,049	36,205	(3,815)	148,277	192,716
Foreign currency translation	-	(34,320)	10,053	23,397	(870)
Closing Balance	<u>\$ 1,224,620</u>	<u>\$ 645,472</u>	<u>\$ 230,454</u>	<u>\$ 1,307,763</u>	<u>\$ 3,408,309</u>

See

LEASING COSTS AND CAPITAL Expenditures for additional information on additions to investment properties.

Canada

There were no acquisitions of investment properties during the three months ended June 30, 2017. During the six months ended June 30, 2017 the REIT acquired a 5-acre land parcel in Collingwood, Ontario and a condo unit in Ottawa, Ontario.

The REIT recognized net fair value gain of \$539 for the three months ended June 30, 2017 (six months ended June 30, 2017 - \$12,049). The year to date change in value primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto.

During the three months ended June 30, 2017 external valuations were performed on properties with an aggregate value of \$132,990 (six months ended June 30, 2017 - \$175,560).

Brazil

During three months ended June 30, 2017 the REIT capitalized \$13 of additional transaction costs related to the Hospital Ifor acquisition in 2016 (six months ended June 30, 2017 - \$51).

The REIT recognized net fair value gain of \$3,321 for the three months ended June 30, 2017 (six months ended June 30, 2017 - \$36,205). The year to date change in value primarily reflects a decrease in cap rates for the Hospital Ifor and Santa Helena assets, as well as, reflecting the expected increases in rents for actual reported inflation, as contracted per the REIT's Brazil leases, increasing the portfolio's future net operating income once the indexation is applied.

A weakening of the Brazilian Real relative to the Canadian dollar during the three months ended June 30, 2017 resulted in foreign currency translation loss of \$55,122 (six months ended June 30, 2017 - \$34,320).

During the three months ended June 30, 2017 external valuations were performed on properties with an aggregate value of \$nil (six months ended June 30, 2017 - \$696,943).

Germany

There were no acquisitions of investment properties during the three months ended June 30, 2017. During the six months ended June 30, 2017, the REIT completed the acquisitions of the Medical Care Centre Hamburg-Bergedorf and the Altstadt-Caree Fulda Medical Centre for combined consideration of \$31,413 (€22,281) including transaction costs. During the quarter the REIT also acquired a small parcel of land next to the Mehrower Allee complex.

During the three months ended June 30, 2017 there was no material change in the fair value of the German investment properties. For the six months ended June 30, 2017, a fair value loss of \$3,815 was recognized, which primarily reflects the write off of transaction costs related to the acquisitions made during the period.

A strengthening of the Euro relative to the Canadian dollar during the three months ended June 30, 2017 resulted in a foreign currency translation gain of \$9,325 (six months ended June 30, 2017 - \$10,053).

During the three months ended June 30, 2017 external valuations were performed on properties with an aggregate value of \$nil (six months ended June 30, 2017 - \$nil).

Vital Trust

On February 27, 2017, Vital Trust purchased the 30-bed private mental health, Abbotsford Private Hospital, in Western Australia for \$21,781 (A\$23,139) including transaction costs.

On March 31, 2017, Vital Trust purchased an 83-bed Grafton Aged Care facility in Western Australia. In addition, Epworth Eastern Hospital has extended a six-year lease term to 25 years, and a fit-out for further potential development work. The two acquisitions have a combined value of \$28,641 (A\$30,427) including transaction costs.

On April 5, 2017, Vital Trust completed the acquisition of a private surgical hospital, Ormiston Hospital, located in Auckland, New Zealand for \$31,598 (NZ\$33,328).

On June 1, 2017, Vital Trust completed the acquisition of Hironnelle Private Hospital, 53-bed private rehabilitation hospital located within Sydney's lower North Shore suburb of Chatsworth for \$25,4497 (NZD\$27,093).

During the three months ended June 30, 2017 the REIT recognized fair value gains of \$117,453 (six months ended June 30, 2017 - \$148,277). The increase during the current quarter reflects capitalization rate compression that Vital Trust is seeing in certain markets consistent with declining long term interest rates. Healthcare real estate markets in Australia and New Zealand continue to benefit from strong demand from institutional investors that are

increasingly devoting capital to the sector. The broader institutionalization of the asset class has supported higher valuations and put downward pressure on capitalization rates.

During the three and six months ended June 30, 2017, external valuations were performed on properties with an aggregate value of \$1,301,719 (NZ\$1,371,674).

A weakening of the New Zealand dollar relative to the Canadian dollar during the three months ended June 30, 2017 resulted in foreign currency translation loss of \$19,891. During the six months ended June 30, 2017, the strengthening of the New Zealand dollar relative to the Canadian dollar during resulted in foreign currency translation gain of \$23,397.

Valuations

The fair values of the investment properties at June 30, 2017 and December 31, 2016, were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals.

The key valuation assumptions for the REIT's investment properties are set out in the following table:

TABLE 4B - INVESTMENT PROPERTIES VALUATION ASSUMPTIONS				
Unaudited	As at June 30, 2017			
	Canada	Brazil	Germany	Vital Trust
Discount rate - range	5.8% - 8.8%	8.5%	5.2% - 7.3%	6.5% - 9.5%
Discount rate - weighted average	7.3%	8.5%	6.2%	7.0%
Terminal capitalization rate - range	5.5% - 8.0%	8.0%	5.5% - 8.4%	6.0% - 9.0%
Terminal capitalization rate - weighted average	6.7%	8.0%	6.1%	6.3%
Implied capitalization rate - range	4.3% - 10.3%	8.2%	4.8% - 7.1%	5.3% - 8.0%
Implied capitalization rate - weighted average	6.6%	8.2%	5.8%	6.0%
	As at December 31, 2016			
	Canada	Brazil	Germany	Vital Trust
Discount rate - range	5.8% - 8.8%	8.5 - 10.5%	5.2% - 7.3%	7.2% - 9.5%
Discount rate - weighted average	7.1%	8.8%	6.2%	8.0%
Terminal capitalization rate - range	5.5% - 8.0%	8.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%
Terminal capitalization rate - weighted average	6.5%	8.3%	6.1%	7.0%
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%
Implied capitalization rate - weighted average	6.4%	8.5%	5.8%	6.9%

DEVELOPMENT ACTIVITY

The REIT develops new properties and reinvests capital in its existing properties, through expansions and refurbishments, as a way to create value for our tenants and unitholders. It is expected that development activity will become a more important component of the REIT's growth over time, to help our tenants meet the growing healthcare needs of the populations they serve. Meeting these needs is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be the successful execution of construction plans, while meeting the timing and costs goals of each project.

The REIT is undertaking the following development activities which are at various stages of execution ranging from planning to active development:

Expressed in thousands of Canadian dollars, except percentage amounts								
	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre-leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australia	8	Q4 2017 to Q4 2018	81,540	53,663	100%	7.8%	6,390	13,826
Brazil	2	Q4 2017 to Q4 2018	55,398	55,398	100%	10.5%	5,817	15,538
	<u>10</u>		<u>\$ 136,938</u>	<u>\$ 109,061</u>			<u>\$ 12,206</u>	<u>\$ 29,365</u>
GHC ⁽¹⁾	3	Q4 2017 to Q3 2019	109,516	41,716	100%	8.2%	9,013	n.a
	<u>13</u>		<u>\$ 246,454</u>	<u>\$ 150,776</u>			<u>\$ 21,219</u>	<u>\$ 29,365</u>

(1) Shown on a 100% basis. The REIT has an approximate 94% interest in GHC and equity accounts for its interest in GHC.

The reader is cautioned that the above information is forward-looking and actual results may vary materially. See **FORWARD-LOOKING INFORMATION ADVISORY**.

The Australian development activity pertains to Vital Trust's 7 expansion projects with completion dates ranging from October 2017 to December 2018. The projects include a mix of modernisation and expansion at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are primarily with Vital Trust's largest tenant, Healthcare. The Australian development is expected to be funded through Vital Trust's existing resources.

Expansion projects are fully leased at premium yields (7.8% average yield on cost) and expected to generate solid NAV growth on completion. Projects continue to progress, though there were no completions in the quarter.

The Brazilian development activity relates to expansion planned for both the REIT's Hospital e Maternidade Brasil ("**HMB**") asset and Coração hospitals and is expected to be funded through a combination of existing resources and property financing.

GHC's development activity pertains to 3 projects with completion dates ranging from the fourth quarter of 2017 to the second half of 2019. Collectively the projects will add 262 inpatient beds, 11 operating theatres, additional laboratory space, medical consulting suites, expanded oncology services, and 749 parking stalls. The projects are 100% pre-leased to Healthscope and Epworth Foundation and remaining development costs will be funded through GHC's existing resources.

Anticipated stabilized NOI is Management's estimate of the amount of annual NOI the development activity will generate upon substantial completion and the commencement of rent payments. Estimated total cost includes acquisition cost, estimated total construction and financing costs. The material assumption made in formulating the estimated total cost is that construction and financing costs remain stable for the remainder of the development period in each of the REIT's regions. Estimated project yield on cost is the estimated annual NOI as a

percentage of the estimated total cost. Estimated cost to complete is the difference between the estimated total cost and the costs incurred to date.

LEASING COSTS AND CAPITAL EXPENDITURES

TABLE 5 - LEASING COSTS AND CAPITAL EXPENDITURES					
Expressed in thousands of Canadian dollars					
Unaudited					
	Three months ended June 30, 2017				
	Canada	Brazil	Germany	Vital Trust	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 585	\$ -	\$ 301	\$ -	\$ 886
Tenant improvements ⁽²⁾	2,168	-	-	-	2,168
Maintenance capital expenditures	690	-	400	-	1,090
Other capital expenditures	1,728	13	202	913	2,856
	5,171	13	903	913	7,000
Internal leasing costs expensed ⁽¹⁾	358	-	131	-	489
	5,529	13	1,034	913	7,489
Less:					
Recoverable maintenance capital expenditures	(690)	-	-	-	(690)
Other value enhancing and non-recurring capital expenditures	(1,761)	-	-	-	(1,761)
Leasing costs and non-recoverable maintenance capital expenditures	\$ 3,078	\$ 13	\$ 1,034	\$ 913	\$ 5,038
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	\$ 2,063	\$ 13	\$ 272	\$ 913	\$ 3,261
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	\$ 1,015	\$ -	\$ 762	\$ -	\$ 1,777
	Six months ended June 30, 2017				
	Canada ⁽⁴⁾	Brazil	Germany	Vital Trust	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 1,079	\$ -	\$ 1,177	\$ -	\$ 2,256
Tenant improvements ⁽²⁾	4,362	-	-	-	4,362
Maintenance capital expenditures	1,458	-	824	-	2,282
Other capital expenditures	2,620	51	213	1,567	4,451
	9,519	51	2,214	1,567	13,351
Internal leasing costs expensed ⁽¹⁾	699	-	255	-	954
	10,218	51	2,469	1,567	14,305
Less:					
Recoverable maintenance capital expenditures	(1,458)	-	-	-	(1,458)
Other value enhancing and non-recurring capital expenditures	(2,445)	-	-	-	(2,445)
Leasing costs and non-recoverable maintenance capital expenditures	\$ 6,315	\$ 51	\$ 2,469	\$ 1,567	\$ 10,402
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	\$ 4,139	\$ 51	\$ 526	\$ 1,567	\$ 6,283
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	\$ 2,176	\$ -	\$ 1,943	\$ -	\$ 4,119
Notes					
(1) The leasing costs exclude base salary and benefits of the internal leasing department which have been expensed.					
(2) Tenant improvements include tenant allowances and landlord's work.					
(3) In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.					

Canada

On a quarterly basis and during asset repositioning, leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often non-recurring leasing costs are involved.

During the three months ended June 30, 2017 additions for the Canadian investment properties totaled \$5,171 (six months ended June 30, 2017 - \$9,519). During the quarter leasing costs included costs attributable to nine transactions (including one initiated in late 2016), of which three are lease renewals or expansions, with an aggregate WALE of 11.5 years.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk. As a result the REIT does not incur any leasing or capital expenditures at the REIT's Brazil hospitals and therefore the REIT uses actual expenditures (if ever applicable) in determining AFFO.

Germany

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the German investment properties for the three months ended June 30, 2017 were \$903 (six months ended June 30, 2017 - \$2,214). Approximately 50% of the year to date leasing costs include costs attributable to two new tenancies in the REIT's Leipzig portfolio, including a large tenancy for one of the area's primary hospital operators on a longer term 12-year lease to accommodate community-based healthcare services.

Vital Trust

The majority of Vital Trust's assets represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Vital Trust does not incur significant leasing or maintenance capital expenditures. For Vital Trust's MOB portfolio and certain hospital assets, leasing costs, tenant improvements and maintenance capital expenditures can be incurred. The REIT has elected to recognize actual leasing and maintenance capital expenditures incurred by Vital Trust in determining AFFO due to the significant proportion of Vital Trust's portfolio comprising of triple net leased hospitals.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the condensed consolidated interim statements of income and comprehensive income for the three and six months ended June 30, 2017 and 2016:

TABLE 6 - RESULTS FROM OPERATIONS						
Expressed in thousands of Canadian dollars						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Audited)	2016 (Audited)	Variance (Audited)
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 73,134	\$ 64,170	\$ 8,964	\$ 145,598	\$ 129,075	\$ 16,523
Property operating costs	(19,003)	(18,114)	(889)	(38,573)	(38,312)	(261)
	54,131	46,056	8,075	107,025	90,763	16,262
Other income						
Share of profit (loss) from associates	38,270	-	38,270	43,681	-	43,681
Management fees	6,621	-	6,621	7,484	-	7,484
Interest income	521	989	(468)	918	1,180	(262)
	45,412	989	44,423	52,083	1,180	50,903
	99,543	47,045	52,498	159,108	91,943	67,165
Other expenses						
Mortgage and loan interest expense	(22,282)	(17,253)	(5,029)	(42,621)	(36,227)	(6,394)
General and administrative expenses	(6,859)	(6,478)	(381)	(12,350)	(11,804)	(546)
Transaction costs	(11,788)	(1,013)	(10,775)	(11,876)	(3,581)	(8,295)
Other Finance costs	(10,607)	(16,724)	6,117	(29,296)	(37,271)	7,975
Foreign exchange gain (loss)	(6,995)	(262)	(6,733)	(3,006)	2,010	(5,016)
Income (Loss) before the undernoted items	41,012	5,315	35,697	59,959	5,070	54,889
Fair value adjustment of DUP Liability	(395)	(809)	414	(818)	(1,622)	804
Fair value adjustment of investment properties	120,226	37,480	82,746	192,716	47,915	144,801
Net loss on disposal of investment properties	-	(263)	263	-	(1,680)	1,680
Gain on business combination	-	53	(53)	-	53	(53)
Gain (Loss) on derivative financial instruments	4,496	(164)	4,660	3,618	(3,884)	7,502
Income (Loss) before taxes	165,339	41,612	123,727	255,475	45,852	209,623
Income tax expense	(3,540)	(15,774)	12,234	(19,142)	(21,200)	2,058
Net income (loss)	\$ 161,799	\$ 25,838	\$ 135,961	\$ 236,333	\$ 24,652	\$ 211,681
Net income (loss) attributable to:						
Unitholders	\$ 63,917	\$ (7,160)	\$ 71,077	\$ 113,716	\$ (15,209)	\$ 128,925
Non-controlling interest	97,882	32,998	64,884	122,617	39,861	82,756
	\$ 161,799	\$ 25,838	\$ 135,961	\$ 236,333	\$ 24,652	\$ 211,681
Notes						
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"						

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of net income.

Revenue from investment properties

Revenue from investment properties for the three months ended June 30, 2017 was \$73,134 which is \$8,964 greater than the three months ended June 30, 2016. The increase is primarily due to Brazil revenue improvements of \$5,139 driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, as well as the strengthening of the Brazilian Real against the Canadian dollar; German revenue improvements of \$802 driven by source currency rent from the Medical Care Centre Hamburg-Bergedorf, Altstadt-Caree Fulda Medical Centre, and Mehrower Allee acquisitions, and a strengthening of the Euro relative to the Canadian dollar; Vital Trust revenue also increased by \$3,102 driven by acquisition activity, as well as, a strengthening of the New

Zealand dollar against the Canadian dollar from the comparable prior year period. These improvements were partially offset by a decrease in revenue in the Canadian region of \$75 driven by asset sales.

Revenue from investment properties for the six months ended June 30, 2017 was \$145,598 as compared to \$129,075 for the six months ended June 30, 2016. The increase of \$16,523 is primarily due to Brazil revenue improvements of \$10,997 driven by source currency rent indexation and the acquisition of Hospital Ifor and Hospital Santa Helena, as well as the strengthening of the Brazilian Real against the Canadian dollar; German revenue improvements of \$1,461 driven by source currency rent from the Medical Care Centre Hamburg-Bergedorf, Alstadt-Caree Fulda Medical Centre, and Mehrower Allee acquisitions, and a strengthening of the Euro relative to the Canadian dollar; Vital Trust revenue also increased by \$5,529 driven by acquisition activity, as well as, a strengthening of the New Zealand dollar against the Canadian dollar from the comparable prior year period. These improvements were partially offset by a decrease in revenue in the Canadian region of \$1,464 driven by asset sales.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Germany and Australasia, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property.

Property operating costs for the three months ended June 30, 2017 were \$19,003 as compared to \$18,114 for the three months ended June 30, 2016. Of the \$889 increase, \$468 is related to Vital Trust and \$291 is related to Germany which saw an increase in operating costs driven by acquisitions and currency strengthening relative to the Canadian dollar.

Property operating costs for the six months ended June 30, 2017 were \$38,573 as compared to \$38,312 for the six months ended June 30, 2016. The increase of \$261 is primarily due to operating cost increases at Vital Trust and Germany of \$760 and \$509 respectively, driven by acquisitions and currency strengthening relative to the Canadian dollar. The property operating cost increases at Vital Trust and in Germany were partially offset by a decrease in property operating costs in Canada of \$1,008 driven by asset sales.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associate

The below table summarizes the REIT's ownership interest in GHC as at June 30, 2017 and December 31, 2016:

GENERATION HEALTHCARE REIT - OWNERSHIP CONTINUITY				
	As at June 30, 2017		As at December 31, 2016	
	(Unaudited)		(Unaudited)	
	Units	% ownership	Units	% ownership
Balance, beginning of the period	43,475,078	19.8%	-	-
Open market purchases	-	-	835,295	0.4%
Exercise of Put Option	-	-	15,492,061	7.1%
Exercise of Call Option	-	-	27,100,380	12.3%
Performance Fee Settlement	-	-	47,342	0.0%
Exercise of Forward Contract	6,700,000	3.0%	-	-
Acquired through takeover bid	156,434,870	70.9%	-	-
DRIP Issuance	-	-0.1%	-	0.0%
Balance, end of the period	<u>206,609,948</u>	<u>93.6%</u>	<u>43,475,078</u>	<u>19.8%</u>

The weighted average ownership of GHC during the three and six months ended June 30, 2017 was 45.0% and 32.5% respectively (three and six months ended June 30, 2016 – nil% and nil% respectively).

As at June 30, 2017, the REIT considered its interest in GHC as an equity accounted investment. GHC's responsible entity (the "RE") was controlled by a third party. See **Subsequent Events**.

SHARE OF PROFIT OF GHC						
Expressed in thousands of Canadian dollars						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Audited)	2016 (Audited)	Variance (Audited)
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 11,087	\$ -	\$ 11,087	\$ 20,419	\$ -	\$ 20,419
Property operating costs	(1,750)	-	(1,750)	(3,552)	-	(3,552)
	9,337	-	9,337	16,867	-	16,867
Interest Income	1,155	-	1,155	2,286	-	2,286
Expenses						
Mortgage and loan interest expense	(2,324)	-	(2,324)	(4,309)	-	(4,309)
General and administrative expenses	(10,724)	-	(10,724)	(11,696)	-	(11,696)
Income before the undernoted items	(2,556)	-	(2,556)	3,148	-	3,148
Other	(3,198)	-	(3,198)	(2,991)	-	(2,991)
Fair value adjustments	85,647	-	85,647	115,357	-	115,357
Net income	79,893	-	79,893	115,514	-	115,514
Non-controlling interest	(5,600)	-	(5,600)	(15,409)	-	(15,409)
Net profit attributable to unitholders	74,293	-	74,293	100,105	-	100,105
Weighted average participation	45.0%	n/a	n/a	32.5%	n/a	n/a
REIT's share of profit	33,437	-	33,437	38,611	-	38,611
Intercompany amounts	4,833	-	4,833	4,992	-	4,992
Changes to associate's equity	-	-	-	78	-	78
Share of profit of GHC	\$ 38,270	\$ -	\$ 38,270	\$ 43,681	\$ -	\$ 43,681
Notes:						
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"						

Included in fair value adjustments for GHC's three and six months ended June 30, 2017 is a fair value adjustment of \$88,684 (A\$87,789) and \$118,303 (A\$117,824) respectively, related to investment properties and is driven primarily by capitalization rate compression and the revaluation of two development properties which are nearing

completion. As at June 30, 2017 the weighted average capitalization rate of the GHC portfolio is 5.7% (December 31, 2017 – 6.7%).

Management Fees

Management fees represent the management fees earned by GHM (less the intercompany elimination for the portion of GHC owned by the REIT) for the three and six months ended June 30, 2017. The REIT's weighted average ownership of GHC during the three months ended June 30, 2017 was 45.0% (32.5% for the six months ended June 30, 2017).

The REIT acquired GHM in June 2016 therefore there were no fees earned during the three and six months ended June 30, 2016. For further details on the GHM management fees see **ASSETS OF THE REIT – 94% of Generation Healthcare REIT and 100% of Generation Manager**.

Interest income

Interest income represents amounts earned on invested cash balances. For the three months ended June 30, 2017 and 2016, the REIT recorded interest income of \$521 and \$989, respectively. The decrease from the comparable prior year quarter is primarily driven by lower interest income in Brazil due to lower cash balances invested and decreased interest rates.

For the six months ended June 30, 2017 and 2016, the REIT recorded interest income of \$918 and \$1,180, respectively. The decrease from the comparable prior year period is primarily driven by lower interest income in Brazil due to lower cash balances invested and decreased interest rates.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended June 30, 2017 was \$22,282, an increase of \$5,029 over the prior year period. The mortgage and loan interest expense for the six months ended June 30, 2017 was \$42,621, an increase of \$6,394 over the prior year period.

The composition of mortgage and loan interest expense for the three and six months ended June 30, 2017 and 2016 is as follows:

Expressed in thousands of Canadian dollars	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Canada						
Mortgages ⁽¹⁾	\$ 6,171	\$ 7,672	\$ 1,501	\$ 12,694	\$ 16,843	\$ 4,149
Brazil						
Brazil debt	2,888	1,911	(977)	5,862	3,256	(2,606)
Germany						
Mortgages	720	471	(249)	1,228	914	(314)
Australasia						
Term loans	4,195	3,353	(842)	7,506	6,974	(532)
Corporate						
Vital Margin Facilities	-	632	632	-	1,313	1,313
Australasian Secured Financing	2,456	-	(2,456)	4,112	-	(4,112)
Acquisition Facility	411	278	(133)	683	769	86
Revolving Credit Facility ⁽²⁾	983	468	(515)	1,507	1,165	(342)
Other	2	13	11	6	47	41
Convertible Debentures						
NWH.DB	527	526	(1)	1,048	1,051	3
NWH.DB.A	366	365	(1)	728	730	2
NWH.DB.B	327	327	-	651	653	2
NWH.DB.C	700	698	(2)	1,393	1,397	4
NWH.DB.D	727	725	(2)	1,446	1,450	4
NWH.DB.E	978	-	(978)	1,946	-	(1,946)
NWH.DB.F	1,054	-	(1,054)	2,096	-	(2,096)
	8,531	4,032	(4,499)	15,616	8,575	(7,041)
less: capitalized interest general borrowings	(223)	(186)	37	(285)	(335)	(50)
	8,308	3,846	(4,462)	15,331	8,240	(7,091)
Total mortgage and loan interest expense	\$ 22,282	\$ 17,253	\$ (5,029)	\$ 42,621	\$ 36,227	\$ (6,394)
Notes						
(1) Includes interest from the Non-Revolver Secured Credit Facility						
(2) Includes interest from the Non-Revolver Secured Credit Facility Expansion.						

For additional information on the REIT's debt see **CAPITAL STRUCTURE – Debt**.

Canada

Mortgage interest expense for the three months ended June 30, 2017 has decreased \$1,501 over the three months ended June 30, 2016. The decrease in mortgage interest expense over the comparable prior year quarter primarily reflects the 2016 property dispositions and repayment of mortgages associated with those properties. Included in the mortgage interest expense in Canada for the three months ended June 30, 2016 are debt prepayment penalties associated with early mortgage repayments of \$963. In addition, during 2016, the REIT has refinanced 2017 and 2016 mortgage expires at lower interest rates. The weighted average interest rate of the Canadian mortgage portfolio as at June 30, 2017 was 3.71%, a decrease from 3.93% as at June 30, 2016.

Brazil

The increase in interest expense for the three and six months ended June 30, 2017, over the prior year quarter, primarily reflects the HMB securitization financing which funded in the second and third quarter of 2016 and the Caxias Financing which funded October 24, 2016, as well as, the strengthening of the Brazilian Real against the Canadian dollar. The weighted average interest rate of the Brazilian debt as at June 30, 2017 was 7.84%, a decrease from 9.22% as at June 30, 2016.

Germany

Mortgage interest expense increased for the three and six months ended June 30, 2017 due to interest on the mortgage associated with the Medical Care Centre Hamburg-Bergedorf, Alstadt-Caree Fulda Medical Centre, and Mehrower Allee acquisitions as well as the strengthening of the Euro against the Canadian dollar.

The weighted average interest rate of the German mortgages was 1.89% as at June 30, 2017, a decrease from 1.92% as at June 30, 2016.

Australasia

The increase in the interest expense over the comparable prior quarter to date and year to date period reflects increased borrowings related to development and acquisition activity, offset by lower interest rates. The weighted average interest rate of the Vital Trust term loans was 4.34% as at June 30, 2017, a decrease from 4.38% as at June 30, 2016.

Corporate

The increase in the interest expense for the three and six months ended June 30, 2017 reflects an increase in corporate borrowings related to the REIT's investment in GHC as well as the two debenture issuances in the second half of 2016.

Interest expense on the Convertible Debentures has increased over the comparable prior year period as a result of the NWH.DB.E and NWH.DB.F Convertible Debentures which closed on July 26, 2016 and December 15, 2016 respectively.

For additional information on the REIT's Convertible Debentures and associated interest rates see **CAPITAL STRUCTURE – Debt**.

General and administrative expenses ("G&A")

G&A expenses for the three months ended June 30, 2017 were \$6,859 as compared to \$6,478 in the prior year quarter. G&A for the three months ended June 30, 2017 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") – DUP Compensation Expense**) of \$1,804 (three months ended June 30, 2016 - \$1,887). G&A, excluding amounts associated with DUP Compensation Expenses, increased \$464 over the prior year quarter primarily as a result of G&A associated with the GHM acquisition at the end of June 2016.

G&A expenses for the six months ended June 30, 2017 were \$12,350 as compared to \$11,804 for the six months ended June 30, 2016. G&A for the six months ended June 30, 2017 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") – DUP Compensation Expense**) of \$2,993 (six months ended June 30, 2016 - \$3,748). G&A, excluding amounts associated with DUP Compensation Expenses, increased \$1,301 over the prior year quarter primarily as a result of G&A associated with the GHM acquisition at the end of June 2016.

DUP expense for the three months ended June 30, 2017 is consistent with the prior year period; however on a year to date basis, the DUP compensation expenses has decreased by \$755 which is primarily a result of a change in the composition of the REIT's management team and modifications to DUP incentive plans.

Transaction costs

For the three and six months ended June 30, 2017 the REIT incurred transaction costs of \$11,788 and \$11,876 respectively, which are primarily related to the GHC Bid. For the three and six months ended June 30, 2016 transaction costs were \$1,013 and \$3,581 respectively, which were related to the acquisition of GHM in late June 2016.

Other Finance costs

Other finance costs for the three and six months ended June 30, 2017 and 2016 consisted of the following:

	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Distributions on Exchangeable Units	\$ 3,800	\$ 3,800	\$ -	\$ 7,600	\$ 7,600	\$ -
Loss on revaluation of financial liabilities	436	2,954	2,518	1,975	5,427	3,452
Amortization of deferred financing costs	2,185	966	(1,219)	3,084	1,983	(1,101)
Amortization of marked to market adjustment	(779)	(1,638)	(859)	(1,545)	(4,190)	(2,645)
Fair value adjustment of Convertible Debentures	2,495	3,232	737	9,063	5,553	(3,510)
Fair value adjustment of Exchangeable Units	2,470	7,410	4,940	9,119	20,898	11,779
Total Finance Costs	\$ 10,607	\$ 16,724	\$ 6,117	\$ 29,296	\$ 37,271	\$ 7,975

Distributions on Exchangeable Units

Under IFRS, Exchangeable Units distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. There has been no change in the number of Exchangeable Units outstanding and therefore the distributions paid for the three and six months ended June 30, 2017 are consistent with the three and six months ended June 30, 2016.

Loss on revaluation of financial liabilities

The outstanding balances of the Brazil Securitization Financings (as defined under **CAPITAL STRUCTURE – Debt**) are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**"). During 2016, the principal balance of both of the Brazil term loans and the Hospital Caxias D'Or holdback payable (previously included in deferred consideration), were adjusted by IPCA or the Certificate of Interbank Deposit rate (the average one-day interbank deposit rate ("**CDI**")) from the date of inception of these liabilities to their respective maturities.

For the three and six months ended June 30, 2017, accretion expense of \$436 and \$1,975 respectively (for the three and six months ended June 30, 2016 - \$2,954 and \$5,427) was recorded to account for the related IPCA adjustments on the Brazil debt and deferred consideration. The annual inflation rate for June 30, 2017 was 3.00% as compared to 8.84% for June 30, 2016.

Amortization of deferred financing costs

Included in finance costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. The decrease in deferred financing costs relative to is primarily due to the repayment of the Brazilian Term Loans in December 2016.

Amortization of marked to market adjustments

Included in finance costs is amortization of marked to market adjustments which relate primarily to the Canadian mortgage portfolio which was marked to market on completion of the Combination Transaction.

Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. Table 6D summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16
Month-end closing price (Canadian \$)						
NWH.DB	1,025.00	1,020.00	1,017.50	1,045.00	1,000.00	990.00
NWH.DB.A	1,003.00	1,030.00	1,020.00	1,021.00	1,017.60	1,002.50
NWH.DB.B	1,022.50	1,032.70	1,020.00	1,050.00	1,037.50	1,013.00
NWH.DB.C	1,050.60	1,050.00	1,025.00	1,045.00	1,030.00	1,018.00
NWH.DB.D	1,042.50	1,050.00	1,020.00	1,043.00	1,025.10	995.00
NWH.DB.E	1,060.00	1,025.50	1,010.00	1,027.50	N/A	N/A
NWH.DB.F	1,042.00	1,031.10	1,002.50	N/A	N/A	N/A

An increase in the price of a convertible debenture results in a fair value loss to the REIT and a decrease in the price of a convertible debenture results in a fair value gain to the REIT.

Exchangeable Units – Fair value adjustment

The Exchangeable Units, under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT Trust Units. An increase in the trading price of a REIT Trust Unit will result in a corresponding increase in the fair value of the Exchangeable Units liability and a fair value loss to the REIT. A decrease in the trading price of a REIT Trust Unit will result in a corresponding decrease in the fair value of the Exchangeable Units liability and a fair value gain to the REIT.

Table 6E summarizes the closing prices of the REIT Trust Units at each quarter end for the last six quarters:

	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16
Month-end closing price (Canadian \$)	10.68	10.55	10.20	10.46	10.03	9.64

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange gain (loss) for the periods relate primarily to the revaluation of the New Zealand denominated debt which is held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement.

For the three months ended June 30, 2017, the REIT recorded a foreign exchange loss of \$6,995, which is made up of an unrealized exchange loss of \$7,018 and a realized exchange gain of \$23. During the three months ended June 30, 2017, the New Zealand appreciated by approximately 2% relative to the Canadian dollar, thus increasing the New Zealand dollar denominated debt at the REIT.

For the six months ended June 30, 2017, the REIT recorded a foreign exchange loss of \$3,006, which is made up of an unrealized exchange loss of \$3,039 and a realized exchange gain of \$33. During the six month period, the New

Zealand appreciated by approximately 2% relative to the Canadian dollar, thus increasing the New Zealand dollar denominated debt at the REIT.

For the three months ended June 30, 2016, the REIT recorded a foreign exchange loss of \$262, which is made up of a realized exchange gain of \$83 and an unrealized exchange loss of \$345. The unrealized foreign exchange loss for the three months ended June 30, 2016 is primarily a result of the revaluation of the Vital Margin Facilities. During the three months ended June 30, 2016, the New Zealand dollar increased by approximately 3% relative to the Canadian dollar, thus increasing the value of the New Zealand debt. During the quarter Vital Trust also recognized a \$1,029 unrealized foreign exchange gain, on Australian dollar term loan borrowings, as the New Zealand dollar strengthened relative to the Australian dollar.

For the six months ended June 30, 2016, the REIT recorded a foreign exchange gain of \$2,010, which is made up of a realized exchange gain of \$68 and an unrealized exchange gain of \$1,942. The unrealized foreign exchange gain for the six months ended June 30, 2016 is primarily a result of the revaluation of the Vital Margin Facilities. During the six months ended June 30, 2016, the New Zealand dollar weakened by approximately 3% relative to the Canadian dollar, thus decreasing the value of the New Zealand debt. During the quarter Vital Trust also recognized a \$660 unrealized foreign exchange gain, on Australian dollar term loan borrowings, as the New Zealand dollar strengthened relative to the Australian dollar.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT**

Fair value adjustment of DUP Liability

Under IFRS, the REIT's unit-based deferred unit compensation liability ("**DUP Liability**") is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units for deferred units exchangeable into REIT Trust Units, and the trading price of Vital Trust units for deferred units exchangeable into Vital Trust units.

The fair value adjustment on revaluation of the DUP Liability for the three and six months ended June 30, 2017 was a loss of \$395 and \$818 respectively as compared to a loss of \$809 and \$1,622 for the three and six months ended June 30, 2016, respectively. The reduction in the fair value adjustment related to the DUP liability over the comparable prior year period reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended June 30, 2017, the REIT recorded a fair value gain on investment properties of \$120,226 consisting of a \$539 fair value gain related to the Canadian property, a \$3,321 revaluation increase of the Brazil portfolio, a \$1,087 revaluation loss of the German portfolio and a \$117,453 increase in the Vital Trust investment properties. The revaluation of the Canadian portfolio during the three months ended June 30, 2017 primarily reflects the impact of external appraisals. The revaluation of the Brazil portfolio during the three months ended June 30, 2017 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation loss on the German portfolio during the three months ended June 30, 2017 reflects movements in capital to be spent. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter.

For the six months ended June 30, 2017, the REIT recorded a fair value gain on investment properties of \$192,716 consisting of a \$12,049 fair value gain related to the Canadian property, a \$36,205 revaluation increase of the Brazil portfolio, a \$3,815 revaluation loss of the German portfolio and a \$148,277 increase in the Vital Trust investment properties. The revaluation of the Canadian portfolio during the six months ended June 30, 2017 primarily reflects increased density value at the REIT's Dundas-Edward Centre property in Toronto. The revaluation of the Brazil portfolio during the six months ended June 30, 2017 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income and capitalization rate decrease at the REIT's

Hospital Ifor and Santa Helena properties. The revaluation loss on the German portfolio during the six months ended June 30, 2017 reflects movements in capital to be spent and the write off of transaction costs related to acquisition activity in the first quarter. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the year to date period.

For the three months ended June 30, 2016, the REIT recorded a fair value gain on investment properties of \$37,480 related to a \$6,956 revaluation increase of the Brazil portfolio, \$6,544 revaluation increase of the German portfolio and a \$45,584 increase in the Vital Trust investment properties; partially offset by a net \$21,604 fair value loss related to the Canadian property portfolio (inclusive of a \$916 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the three months ended June 30, 2016 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation of the German portfolio during the three months ended June 30, 2016 reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation of the Canadian portfolio during the three months ended June 30, 2016 primarily reflects the on-going challenges in the Alberta office space market.

For the six months ended June 30, 2016, the REIT recorded a fair value gain of \$47,915 related to a \$16,473 revaluation increase of the Brazil portfolio, \$6,394 revaluation increase of the German portfolio and a \$51,560 increase in the Vital Trust investment properties; partially offset by a net \$26,512 fair value loss related to the Canadian property portfolio (inclusive of a \$6,833 fair value loss associated with assets held for sale). The revaluation of the Brazil portfolio during the year to date period is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income. The revaluation of the German portfolio during the year to date period reflects capitalization rate compression in certain German markets. The increase in the Vital Trust assets reflects capitalization rate compression in both the New Zealand and Australian markets during the quarter. The revaluation of the Canadian portfolio during the year to date period primarily reflects the decline in market rents in the Alberta office space market, as well as, fair value write-downs of certain assets held for sale.

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three and six months ended June 30, 2016, the REIT recognized a loss on sale of \$263 and \$1,680, respectively, due to transaction costs associated with the sale of one Canadian investment properties and nine Canadian investment properties, respectively.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three and six months ended June 30, 2017 and 2016 consisted of the following:

TABLE 6F - GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS						
Expressed in thousands of Canadian dollars						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Audited)	2016 (Audited)	Variance (Audited)
Canada						
Interest rate swaps	\$ 280	\$ (83)	\$ 363	\$ 379	\$ (765)	\$ 1,144
Brazil						
Brazil Loans interest rate swaps	-	370	(370)	-	745	(745)
Germany						
Interest rate swaps	343	(135)	478	381	(534)	915
Australasia						
Interest rate swaps	1,716	(1,851)	3,567	904	(4,808)	5,712
Foreign exchange derivatives	-	-	-	-	-	-
Foreign exchange contracts	1,733	384	1,349	363	319	44
Performance fee receivable	972	-	972	1,473	-	1,473
Corporate						
Vital Margin Facility interest rate swaps	-	4	(4)	-	12	(12)
Foreign exchange contracts	(548)	-	(548)	(548)	-	(548)
GHC future contract	-	1,147	(1,147)	666	1,147	(481)
Total gain (loss) on derivative financial instruments	\$ 4,496	\$ (164)	\$ 4,660	\$ 3,618	\$ (3,884)	\$ 7,502

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended June 30, 2017 was \$3,540.

For the three months ended June 30, 2017, the REIT recognized a current income tax charge of \$870 (six months ended June 30, 2017 - \$5,038). The current taxes relate primarily to the income taxes payable by Vital Manager, GHM and Vital Trust. Current tax expense for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The deferred tax expense of the REIT for the three months ended June 30, 2017 was \$2,670 (six months ended June 30, 2017 - \$14,104). The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended June 30, 2017 related to the German and Brazil investment properties was \$106 and \$1,040, respectively (six months ended June 30, 2017 - \$8 and \$8,999 respectively). Vital Trust recorded a deferred expense for the three months ended June 30, 2017 of \$1,149 (six months ended June 30, 2017 - \$4,619), which relates primarily to the significant fair value increase of Vital Trust's investment properties offset by the cumulative impact of a decrease in the marginal tax rate from 30% to 15% in Australia as a result of tax legislation changes. Vital Manager recorded a deferred tax liability for the three months ended June 30, 2017 of \$128 (six months ended June 30, 2017 - \$90). GHM recorded a deferred tax liability for the three months ended June 30, 2017 of \$247 (six months ended June 30, 2017 - \$388) primarily related to deferred compensation liabilities.

The combined current tax and deferred tax expense of the REIT for the three months ended June 30, 2016 was \$15,774 (six months ended June 30, 2016 - \$21,200).

For the three months ended June 30, 2016, the REIT recognized a current income tax charge of \$1,226 (six months ended June 30, 2016 - \$2,534). The current taxes relate primarily to the income taxes payable by subsidiaries of the REIT in Brazil, as well as the Vital Manager and Vital Trust. Current tax expense for Vital Trust can fluctuate period over period depending on the settlement of foreign currency derivatives utilized in Vital Trust's hedging program.

The deferred tax expense of the REIT for the three months ended June 30, 2016 was \$14,548 (six months ended June 30, 2016 - \$18,666). The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of

the REIT for the three months ended June 30, 2016 related to the German and Brazil investment properties was \$4,699 (six months ended June 30, 2016 - \$8,240). Vital Trust recorded a deferred expense for the three months ended June 30, 2016 of \$9,933, which relates primarily the fair value movement of investment properties partially offset by the deferred tax asset related to derivative valuations (six months ended June 30, 2016 - \$10,175). Vital Manager recorded a deferred tax asset for the three months ended June 30, 2016 of \$84 (six months ended June 30, 2016 - \$251 liability).

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended June 30, 2017 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to April 1, 2016.

The REIT's Same Property NOI for the three and six months ended June 30, 2017 and 2016 is summarized below consolidated in Canadian dollars (Table 7) and then separately by region in source currency (Table 7A – Canada, Table 7B – Brazil, Table 7C - Germany and Table 7D - Australasia):

TABLE 7 - SAME PROPERTY NOI								
Expressed in thousands of CAD								
	Three months ended June 30				Six months ended June 30			
	2017 (Unaudited)	2016 (Unaudited)	Var \$ (Unaudited)	Var % (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Var \$ (Unaudited)	Var % (Unaudited)
Same property NOI⁽¹⁾								
Same property revenue from investment properties	\$ 65,323	\$ 63,178	\$ 2,145	3.4%	\$ 131,750	\$ 126,367	\$ 5,383	4.3%
Same property operating costs	(18,083)	(17,422)	(661)	3.8%	(36,570)	(36,141)	(429)	1.2%
	47,240	45,756	1,484	3.2%	\$ 95,180	90,226	4,954	5.5%
Properties held for redevelopment	470	(7)	477		987	(9)	996	
Acquisitions	6,868	332	6,536		11,766	351	11,415	
Dispositions	-	410	(410)		-	1,076	(1,076)	
Inter-company/elimination	(447)	(435)	(12)		(908)	(881)	(27)	
NOI⁽¹⁾	\$ 54,131	\$ 46,056	\$ 8,075	17.5%	\$ 107,025	\$ 90,763	\$ 16,262	17.9%

Notes
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

TABLE 7A - SAME PROPERTY NOI - CANADA								
In thousands of CAD								
	Three months ended June 30				Six months ended June 30			
	2017 (Unaudited)	2016 (Unaudited)	Var \$ (Unaudited)	Var % (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Var \$ (Unaudited)	Var % (Unaudited)
Same property NOI⁽¹⁾								
Same property revenue from investment properties	\$ 33,452	\$ 33,466	\$ (14)	0.0%	\$ 67,093	\$ 67,278	\$ (185)	-0.3%
Same property operating costs	(14,835)	(14,566)	(269)	1.8%	(30,118)	(29,927)	(191)	0.6%
	18,617	18,900	(283)	-1.5%	36,975	37,351	(376)	-1.0%
Properties held for redevelopment	470	(7)	477		987	(9)	996	
Acquisitions	-	-	-		-	-	-	
Dispositions	-	410	(410)		-	1,076	(1,076)	
NOI⁽¹⁾	\$ 19,087	\$ 19,303	\$ (216)	-1.1%	\$ 37,962	\$ 38,418	\$ (456)	-1.2%

Notes
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

In thousands of BRL and CAD	Three months ended June 30				Six months ended June 30			
	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of BRL								
Same property revenue from investment properties	R\$ 23,191	R\$ 22,578	R\$ 613	2.7%	R\$ 46,391	R\$ 44,322	R\$ 2,069	4.7%
Same property operating costs	-	-	-	n/a	-	-	-	n/a
	23,191	22,578	613	2.7%	46,391	44,322	2,069	4.7%
Acquisitions - in thousands of BRL	8,895	-	8,895		17,790	-	17,790	
Dispositions - in thousands of BRL	-	-	-		-	-	-	
NOI⁽¹⁾ - in thousands of BRL	R\$ 32,086	R\$ 22,578	R\$ 9,508	42.1%	R\$ 64,181	R\$ 44,322	R\$ 19,859	44.8%
FX Rate	0.4192	0.3682	0.0511	13.9%	0.4202	0.3603	0.0598	16.6%
NOI⁽¹⁾ - in thousands of CAD	\$ 13,452	\$ 8,313	\$ 5,139	61.8%	\$ 26,968	\$ 15,971	\$ 10,997	68.9%

Notes
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

In thousands of Euro and CAD	Three months ended June 30				Six months ended June 30			
	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of Euro								
Same property revenue from investment properties	€ 2,457	€ 2,232	€ 225	10.1%	€ 4,848	€ 4,591	€ 257	5.6%
Same property operating costs	(672)	(602)	(70)	11.6%	(1,252)	(1,214)	(38)	3.1%
	1,785	1,630	155	9.5%	3,596	3,377	219	6.5%
Acquisitions - in thousands of Euro	388	228	160		769	228	541	
Dispositions - in thousands of Euro	-	-	-		-	-	-	
NOI⁽¹⁾ - in thousands of Euro	€ 2,173	€ 1,858	€ 315	17.0%	€ 4,365	€ 3,605	€ 760	21.1%
FX Rate	1.4795	1.4562	0.0233	1.6%	1.4445	1.4849	(0.0404)	-2.7%
NOI⁽¹⁾ - in thousands of CAD	\$ 3,216	\$ 2,705	\$ 511	18.9%	\$ 6,305	\$ 5,353	\$ 952	17.8%

Notes
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

In thousands of NZD and CAD	Three months ended June 30				Six months ended June 30			
	2017	2016	Var \$	Var %	2017	2016	Var \$	Var %
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾⁽³⁾ - in thousands of NZD								
Same property revenue from investment properties	\$ 19,558	\$ 20,371	\$ (813)	-4.0%	\$ 40,394	\$ 40,282	\$ 112	0.3%
Same property operating costs	(2,382)	(2,222)	(160)	7.2%	(4,919)	(4,895)	(24)	0.5%
	17,176	18,149	(973)	-5.4%	35,475	35,387	88	0.2%
Acquisitions - in thousands of NZD	2,709	-	2,709		3,369	14	3,355	
Dispositions in thousands of NZD	-	-	-		-	-	-	
NOI⁽¹⁾ - in thousands of NZD	19,885	\$ 18,149	\$ 1,736	9.6%	\$ 38,844	\$ 35,401	\$ 3,443	9.7%
FX Rate	0.9466	0.8909	0.0557	6.3%	0.9448	0.9012	0.0436	4.8%
NOI⁽¹⁾ - in thousands of CAD	\$ 18,823	\$ 16,169	\$ 2,654	16.4%	\$ 36,698	\$ 31,902	\$ 4,796	15.0%

Notes
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

Revenue from investment properties

Canada

Same property revenue from investment properties for the three months ended June 30, 2017 is \$14 lower than actual results for the three months ended June 30, 2016 primarily due to a decrease in operating cost recoveries of \$154 driven by a decrease in recoverable operating costs, lower base rent of \$114 due to lower occupancy, lower free rent and straight-line rent of \$125; offset by lease termination fee of \$308, and higher parking revenue \$80k.

Same property revenue from investment properties for the six months ended June 30, 2017 is \$185 lower than actual results for the six months ended June 30, 2016 primarily due to a decrease in operating cost recoveries of

\$613 driven by a decrease in recoverable operating costs, lower base rent of \$264 due to lower occupancy, lower free rent and straight-line rent of \$83; offset by lease termination fee of \$331, a non-recurring tenant improvement reimbursement repayment of \$220, and higher parking revenue \$189 reflecting efficiencies of internalization of parking management.

Brazil

In Brazil, same property revenues for the three months and year ended June 30, 2017 increased over the comparable prior year period as a result of inflationary adjustments which are implemented across the portfolio, in accordance with the REIT's leasing contracts. The rental increase imposed in 2016 reflects the 12 month IPCA rate as at each property rental adjustment date. On January 1, 2017, the leases relating to Rede D'Or Hospital Portfolio properties were adjusted by 6.56% on average. In addition the Brazil foreign exchange rate saw an increase of 14% over second quarter 2016.

Germany

Same property revenue for the three months ended June 30, 2017 from Germany's investment properties has increased by €225 against prior year quarter reflecting favorable impact of prior year costs adjustment with tenants, inflationary rental increases to existing tenants, leasing out vacant units in Sachsen, Bayern and Berlin properties and higher operating cost recoveries driven by higher recoverable operating costs.

Same property revenue for the six months ended June 30, 2017 from Germany's investment properties has increased by €257 against prior year quarter reflecting favorable impact of prior year costs adjustment with tenants, inflationary rental increases to existing tenants, leasing out vacant units in Sachsen, Bayern and Berlin properties, and higher operating cost recoveries driven by higher recoverable operating costs.

Vital Trust

Vital Trust's same property revenue for the three months and year ended June 30, 2017, decreased by NZ\$813 over the comparable prior year period due to the departure of a large tenant at The Southport Hospital and Gold Coast Surgery Centre.

Vital Trust's same property revenue for the six months ended June 30, 2017, increased by NZ\$112 due to same property rent increases and rentalization of the expansions at Epworth Eastern Hospital, Hurstville Private Hospital, Belmont Private Hospital, Maitland Private Hospital and South Eastern Private Hospital. The increase was partially offset by the departure of a large tenant at The Southport Hospital and Gold Coast Surgery Centre.

PROPERTY OPERATING COSTS

Canada

Same property operating expenses for the three months ended June 30, 2017 increased by \$269 (six months ended - \$191) over the comparable prior year period driven by an increase in non-recoverable costs relating to IT software license fees as a result of an upgrade, salaries and benefits and amortization of an operating lease of a parking facility; offset by a decrease in recoverable costs mainly attributable to utilities and salaries and benefits.

Brazil

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property, excluding social taxes which represent a tax against revenues as a result of the REIT's corporate structure of the entities holding certain of the Brazilian assets.

Germany

Same property operating costs for the three months ended June 30, 2017 increased by €70 (six months ended - €38), against the prior year comparable periods mainly due to higher consumption based costs (electricity and heating) in the period.

Vital Trust

For the three months ended June 30, 2017, Vital Trust's same property operating costs were NZ\$160 (six months ended – NZ\$24) higher than the comparable prior year quarter primarily due to costs associated with development which became revenue producing.

FUNDS FROM OPERATIONS (“FFO”)

FFO is a supplemental non-IFRS industry wide financial measure of a REIT’s operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion. REALpac has established a standardized definition of FFO in a White Paper dated February 2017 (“REALpac Guidance”). The REIT’s FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities in its calculation of FFO.

TABLE 8 - FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)
Net income (loss) attributable to unitholders	\$ 63,917	\$ (7,160)	\$ 71,077	\$ 113,716	\$ (15,209)	\$ 128,925
Add / (Deduct):						
(i) Fair market value losses (gains)	(119,362)	(25,865)	(93,497)	(177,334)	(15,958)	(161,376)
Less: Non-controlling interests' share of fair market value losses (gains)	90,969	34,066	56,903	112,507	36,297	76,210
(ii) Finance cost - Exchangeable Unit distributions	3,800	3,800	-	7,600	7,600	-
(iii) Revaluation of financial liabilities	436	2,954	(2,518)	1,975	5,427	(3,452)
(iv) Unrealized foreign exchange loss (gain)	7,018	345	6,673	3,039	(1,942)	4,981
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	(2,001)	779	(2,780)	1,934	499	1,435
(v) Deferred taxes	2,670	14,548	(11,878)	14,104	18,666	(4,562)
Less: Non-controlling interests' share of deferred taxes	(865)	(7,509)	6,644	(3,474)	(7,693)	4,219
(vi) Non-recurring transaction costs	11,788	1,013	10,775	11,876	3,581	8,295
(vii) Convertible Debenture issuance costs	-	-	-	-	-	-
(viii) Net adjustments for equity accounted entities	(34,832)	-	(34,832)	(38,943)	-	(38,943)
(ix) Internal leasing costs	489	529	(40)	954	918	36
(x) Net loss on disposal of investment properties	-	263	(263)	-	1,680	(1,680)
(xi) Gain on business combination	-	(53)	53	-	(53)	53
(xi) Other FFO adjustments	1,885	-	1,885	2,482	-	2,482
Funds From Operations (“FFO”) ⁽¹⁾	\$ 25,912	\$ 17,710	\$ 8,202	\$ 50,436	\$ 33,813	\$ 16,623
FFO per Unit - Basic	\$ 0.24	\$ 0.22	\$ 0.02	\$ 0.50	\$ 0.45	\$ 0.05
FFO per Unit - fully diluted ⁽³⁾	\$ 0.23	\$ 0.22	\$ 0.01	\$ 0.47	\$ 0.44	\$ 0.03
Adjusted weighted average units outstanding: ⁽²⁾						
Basic	106,015,975	78,982,759	27,033,216	100,146,962	75,510,207	24,636,755
Diluted ⁽³⁾	132,550,904	88,532,712	44,018,192	126,669,485	85,013,705	41,655,780
Notes						
(1)	FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.					
(2)	Under IFRS the REIT’s Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at June 30, 2017 and December 31, 2016.					
(3)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT’s Convertible Debentures that would have a dilutive effect upon conversion at the holders’ contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.					

FFO DILUTION						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Variance (Audited)
Funds From Operations (“FFO”) - Undiluted	\$ 25,912	\$ 17,710	\$ 8,202	\$ 50,436	\$ 33,813	\$ 16,623
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	-	1,057	1,057	-
NWH.DB.A	367	-	367	735	-	735
NWH.DB.B	328	328	-	656	656	-
NWH.DB.C	702	-	702	1,405	-	1,405
NWH.DB.D	729	729	-	1,458	1,458	-
NWH.DB.E	981	-	981	1,962	-	1,962
NWH.DB.F	1,057	-	1,057	2,113	-	2,113
	4,692	1,585	3,107	9,386	3,171	6,215
Funds From Operations (“FFO”) - Diluted	\$ 30,604	\$ 19,295	\$ 11,309	\$ 59,822	\$ 36,984	\$ 22,838
Adjusted weighted average units outstanding:						
Basic	106,015,975	78,982,759	27,033,216	100,146,962	75,510,207	24,636,755
Vested but unissued deferred units	571,404	487,871	83,533	558,998	441,416	117,582
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	-	2,834,507	2,834,507	-
NWH.DB.A	1,649,635	-	1,649,635	1,649,635	-	1,649,635
NWH.DB.B	1,516,464	1,516,464	-	1,516,464	1,516,464	-
NWH.DB.C	3,100,000	-	3,100,000	3,100,000	-	3,100,000
NWH.DB.D	4,711,111	4,711,111	-	4,711,111	4,711,111	-
NWH.DB.E	5,862,745	-	5,862,745	5,862,745	-	5,862,745
NWH.DB.F	6,289,063	-	6,289,063	6,289,063	-	6,289,063
	25,963,525	9,062,082	16,901,443	25,963,525	9,062,082	16,901,443
Diluted	132,550,904	88,532,712	44,018,192	126,669,485	85,013,705	41,655,780

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of FFO.

Additional details on the adjustments to the REIT’s net income to arrive at FFO are below:

(i) Fair market value gains/ losses

TABLE 8A - FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars						
	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	\$ 2,495	\$ 3,232	\$ (737)	\$ 9,063	\$ 5,553	\$ 3,510
Fair value adjustment of Exchangeable Units	2,470	7,410	(4,940)	9,119	20,898	(11,779)
Fair value adjustment of investment properties	(120,226)	(37,480)	(82,746)	(192,716)	(47,915)	(144,801)
Loss (Gain) on derivative financial instruments	(4,496)	164	(4,660)	(3,618)	3,884	(7,502)
Fair value adjustment of DUP Liability	395	809	(414)	818	1,622	(804)
Total	\$ (119,362)	\$ (25,865)	\$ (93,497)	\$ (177,334)	\$ (15,958)	\$ (161,376)

Additional details are below:

(a) Convertible Debentures

Under IFRS the REIT’s Convertible Debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the Convertible Debentures have been added back to the REIT’s net income.

(b) Exchangeable Units and DUP Liability

Under IFRS the REIT’s Exchangeable Units and DUP Liability are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Exchangeable Units and DUP Liability have been added back to the REIT’s net income.

(c) Investment properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the investment properties are recognized in income in the period in which they occur. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to investment properties have been added back to the REIT’s net income.

(d) Derivative financial instruments

Under IFRS derivative financial instruments are measured at fair value and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, unrealized fair value changes related to derivative financial instruments have been added back to the REIT’s net income.

(ii) Finance cost – Exchangeable Unit distributions

Under IFRS the REIT's Exchangeable Units are classified as financial liabilities and any related distributions on the Exchangeable Units are regarded as finance costs. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, distributions related to the Exchangeable Units have been added back to the REIT's net income.

(iii) Revaluation of financial liabilities

On maturity, the principal balance of the Brazil term loans are adjusted by the inflation rate (IPCA or CDI) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil term loans and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) Unrealized foreign exchange loss (gain)

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) Deferred taxes

Under IFRS, the REIT has recorded deferred tax liabilities in Germany, Brazil and Vital Trust, arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income.

(vi) Non-recurring transaction costs

Under IFRS the REIT expensed non-recurring transaction costs related primarily to the GHC Bid and the GHM acquisition which has been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, costs related to the REIT's strategic transactions have been added back to net income.

(vii) Convertible Debenture issuance costs

In accordance with IFRS, because the REIT measures its Convertible Debentures at fair value, the REIT expenses the costs related to the issuance of the Convertible Debentures. In accordance with the REALpac Guidance, these non-recurring finance costs related to the issuance of the Convertible Debentures, have been added back to the REIT's net income.

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associate is accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in

other comprehensive income (loss). Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income (loss) is added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associate's FFO.

Additional details on these adjustments are provided in the table below:

TABLE 8C - GHC FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Share of profit (loss) of GHC	\$ 38,270	\$ -	\$ 38,270	\$ 43,681	\$ -	\$ 43,681
Add / (Deduct):						
Fair market value losses (gains)	(36,326)	-	(36,326)	(40,396)	-	(40,396)
Non-recurring transaction costs	1,502	-	1,502	1,502	-	1,502
Gain on business combination	(8)	-	(8)	(49)	-	(49)
Proportionate share of Generation Healthcare REIT GHC FFO⁽¹⁾	\$ 3,438	\$ -	\$ 3,438	\$ 4,738	\$ -	\$ 4,738
Less: Share of profit (loss) of GHC	38,270	-	38,270	43,681	-	43,681
Net FFO adjustment for GHC	\$ (34,832)	\$ -	\$ (34,832)	\$ (38,943)	\$ -	\$ (38,943)
Average % of GHC owned during the period ⁽²⁾	45.0%	n/a		32.5%	n/a	
Notes						
(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.						
(2) As at June 30, 2017 the REIT held an approximate 93.6% interest in GHC.						

(ix) Internal leasing costs

In accordance with IFRS, internal leasing costs that aren't incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance these costs that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, are added back to net income in determining FFO.

(x) Net loss on disposal of investment properties

Consistent with REALpac Guidance the REIT has adjusted FFO for the net loss on disposal of investment properties.

(xi) Other FFO adjustments

Other FFO adjustments include the amortization of the free rent asset associated with the sale and lease back of the mid-town Toronto parking garage as well as the amortization intangibles recognized on the acquisition of GHM that impact profit and loss but are non-cash in nature. Consistent with REALpac Guidance the REIT has adjusted FFO for these amounts. Also included in other FFO adjustments are amounts that represent the impact of certain Vital Manager fees that are capitalized by Vital Trust. The adjustments reflect the cash flow benefit to the REIT of the capitalized fees funded by the non-controlling interest of Vital Trust.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates AFFO as FFO, plus/minus certain adjustments as detailed below. Other adjustments may be made to AFFO as determined by management at their discretion.

In February 2017, REALpac issued a White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

TABLE 9 - ADJUSTED FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Variance (Audited)
Funds From Operations ("FFO")⁽¹⁾	\$ 25,912	\$ 17,710	\$ 8,202	\$ 50,436	\$ 33,813	\$ 16,623
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(779)	(1,638)	859	(1,545)	(4,190)	2,645
(ii) Amortization of deferred financing charges	2,185	966	1,219	3,084	1,983	1,101
Less: Non-controlling interests' share of amortization of deferred financing charges	(68)	(66)	(2)	(136)	(134)	(2)
(iii) Straight-line revenue	265	(123)	388	569	(288)	857
Less: non-controlling interests' share of straight-line revenue	(299)	(48)	(251)	(656)	(192)	(464)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(3,261)	(2,436)	(825)	(6,283)	(4,811)	(1,472)
Less: non-controlling interests' share of actual capex and leasing costs	687	110	577	1,179	110	1,069
(v) DUP Compensation Expense	1,804	1,887	(83)	2,993	3,748	(755)
(vi) Debt repayment costs	175	963	(788)	175	2,960	(2,785)
(vii) Net adjustments for equity accounted entities	(638)	-	(638)	(750)	-	(750)
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 25,983	\$ 17,325	\$ 8,658	\$ 49,066	\$ 32,999	\$ 16,067
AFFO per Unit - Basic	\$ 0.25	\$ 0.22	\$ 0.03	\$ 0.49	\$ 0.44	\$ 0.05
AFFO per Unit - fully diluted ⁽³⁾	\$ 0.23	\$ 0.21	\$ 0.02	\$ 0.46	\$ 0.43	\$ 0.03
Distributions per Unit - Basic	\$ 0.20	\$ 0.20	\$ -	\$ 0.40	\$ 0.40	\$ -
Adjusted weighted average units outstanding:⁽²⁾						
Basic	106,015,975	78,982,759	27,033,216	100,146,962	75,510,207	24,636,755
Diluted ⁽³⁾	132,550,904	87,016,248	45,534,656	126,669,485	83,497,241	43,172,244
Notes						
(1) FFO and AFFO are not measures recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.						
(2) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at June 30, 2017 and December 31, 2016.						
(3) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.						

AFFO DILUTION						
	Three months ended June 30			Six months ended June 30		
	2017 (Unaudited)	2016 (Unaudited)	Variance (Unaudited)	2017 (Unaudited)	2016 (Unaudited)	Variance (Audited)
Adjusted Funds From Operations ("AFFO") - Undiluted	\$ 25,983	\$ 17,325	\$ 8,658	\$ 49,066	\$ 32,999	\$ 16,067
Potentially Dilutive Convertible Debentures						
NWH.DB	528	528	-	1,057	1,057	-
NWH.DB.A	367	-	367	735	-	735
NWH.DB.B	328	-	328	656	-	656
NWH.DB.C	702	-	702	1,405	-	1,405
NWH.DB.D	729	729	-	1,458	1,458	-
NWH.DB.E	981	-	981	1,962	-	1,962
NWH.DB.F	1,057	-	1,057	2,113	-	2,113
	4,692	1,257	3,435	9,386	2,515	6,871
Adjusted Funds From Operations ("AFFO") - Diluted	\$ 30,675	\$ 18,582	\$ 12,093	\$ 58,452	\$ 35,514	\$ 22,938
Adjusted weighted average units outstanding:						
Basic	106,015,975	78,982,759	27,033,216	100,146,962	75,510,207	24,636,755
Vested but unissued deferred units	571,404	487,871	83,533	558,998	441,416	117,582
Potentially Dilutive Convertible Debentures						
NWH.DB	2,834,507	2,834,507	-	2,834,507	2,834,507	-
NWH.DB.A	1,649,635	-	1,649,635	1,649,635	-	1,649,635
NWH.DB.B	1,516,464	-	1,516,464	1,516,464	-	1,516,464
NWH.DB.C	3,100,000	-	3,100,000	3,100,000	-	3,100,000
NWH.DB.D	4,711,111	4,711,111	-	4,711,111	4,711,111	-
NWH.DB.E	5,862,745	-	5,862,745	5,862,745	-	5,862,745
NWH.DB.F	6,289,063	-	6,289,063	6,289,063	-	6,289,063
	25,963,525	7,545,618	18,417,907	25,963,525	7,545,618	18,417,907
Diluted	132,550,904	87,016,248	45,534,656	126,669,485	83,497,241	43,172,244

Additional details on the adjustments to the REIT's net income to arrive at AFFO are below:

(i) Amortization marked to market adjustment

Under IFRS, the REIT has amortized the debt premium on mortgages assumed at fair value on acquisition. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(ii) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(iii) Straight-line revenue

Under IFRS rental revenue from operating leases is recognized over the lease term on a straight-line basis. The difference between rental revenue recognized and cash flows is recorded as straight-line rent receivable or payable. To account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

Also included in the straight-line revenue adjustments are amounts related to the Sabará Securitization Facility. At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. Under IFRS, the REIT has recorded deferred revenue in respect of the Sabará Securitization Facility, which is amortized into income over the remaining term of the lease. The unamortized balance of the deferred revenue, \$8,616 (R\$21,923) as at June 30, 2017 is net against the value of investment properties. The fair value of the balance outstanding on the Sabará Securitization Facility is \$18,160 (R\$46,209) as at June 30, 2017.

To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended June 30, 2017 the REIT recorded revenue of \$555 related to the Sabará Securitization Facility (six months ended June 30, 2017 - \$1,116), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$618 (six months ended June 30, 2017 - \$1,239). As such, the REIT has increased net income reported under IFRS in AFFO by \$63 for the three months ended June 30, 2017 (six months ended June 30, 2017 - \$123).

For the three months ended June 30, 2016 the REIT recorded revenue of \$479 related to the Sabará Securitization Facility (six months ended June 30, 2016 - \$943), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$559 (six months ended June 30, 2016 - \$978). As such, the REIT has increased net income reported under IFRS in AFFO by \$80 for the three months ended June 30, 2016 (six months ended June 30, 2016 - \$35).

(iv) Leasing costs and non-recoverable maintenance capital expenditures

In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases in those regions the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

For additional information see

Leasing Costs and Capital Expenditures.

(v) DUP Compensation Expense

The REIT's unit-based deferred unit compensation expense is measured at the service commencement date, based on the fair market value of a REIT Trust Unit or Vital Trust unit, as applicable, and this value is amortized to income over the vesting period ("DUP Compensation Expense"). Unit-based compensation does not qualify as an equity award and is classified as a liability. As a result the DUP Liability is measured at fair-value every reporting period, based on the fair market value of a REIT Trust Unit or Vital Trust unit at the reporting date, and the change in fair value is also recognized in income.

The period over period change in value of the DUP Liability is added back to income when determining FFO in accordance with REALpac Guidance. However, as the DUP Compensation Expense may be equity settled, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) Debt repayment costs

During the three months ended June 30, 2017, the REIT has incurred debt repayment costs of \$175 (six months ended June 30, 2017 - \$175) related to the German mortgage refinancing on June 30, 2017. During the three months ended June 30, 2016 the REIT incurred \$963 (six months ended June 30, 2016 - \$2,960) of costs associated with the early repayment of mortgages. As the costs are non-recurring in nature the REIT has added them back to income when determining AFFO.

(vii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associate is accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income (loss) is added/(deducted) to/(from) net income and AFFO is presented after including the REIT's proportionate share of the associate's AFFO.

Additional details on these adjustments are provided in the table below:

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Share of profit (loss) of GHC	\$ 38,270	\$ -	\$ 38,270	\$ 43,681	\$ -	\$ 43,681
Add / (Deduct):						
Fair market value losses (gains)	(36,326)	-	(36,326)	(40,396)	-	(40,396)
Non-recurring transaction costs	1,502	-	1,502	1,502	-	1,502
Gain on business combination	(8)	-	(8)	(49)	-	(49)
Proportionate share of Generation Healthcare REIT GHC FFO⁽¹⁾	\$ 3,438	\$ -	\$ 3,438	\$ 4,738	\$ -	\$ 4,738
Less: Share of profit (loss) of GHC	38,270	-	38,270	43,681	-	43,681
Net FFO adjustment for GHC	\$ (34,832)	\$ -	\$ (34,832)	\$ (38,943)	\$ -	\$ (38,943)
Average % of GHC owned during the period ⁽²⁾	45.0%	n/a		32.5%	n/a	
Notes						
(1) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.						
(2) As at June 30, 2017 the REIT held an approximate 93.6% interest in GHC.						

DISTRIBUTIONS

For the three and six months ended June 30, 2017, the REIT declared a total of \$21,291 and \$40,710, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

For the three and six months ended June 30, 2016, the REIT declared a total of \$16,173 and \$30,595, respectively, in distributions, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$0.80 per unit per annum.

Distributions paid per unit over the past twelve months are summarized below:

	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16
Monthly distribution (\$)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price (\$)	10.68	10.75	10.77	10.55	10.20	10.00	10.20	9.63	10.36	10.46	10.59	10.21
Date of Record	30-Jun-17	31-May-17	28-Apr-17	31-Mar-17	28-Feb-17	31-Jan-17	30-Dec-16	30-Nov-16	31-Oct-16	30-Sep-16	31-Aug-16	29-Jul-16
Date Paid	14-Jul-17	15-Jun-17	15-May-17	14-Apr-17	15-Mar-17	15-Feb-17	16-Jan-17	15-Dec-16	15-Nov-16	17-Oct-16	15-Sep-16	15-Aug-16

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan (the "DRIP") have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution.

During the three and six months ended June 30, 2017, a total of 147,520 and 289,811 trust units respectively were issued under the DRIP (three and six months ended June 30, 2016, a total of 126,493 and 275,746 trust units, respectively).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines:

Expressed in thousands of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ 63,917	\$ (7,160)	\$ 113,716	\$ (15,209)
Add: Finance cost - Exchangeable Unit distributions	3,800	3,800	7,600	7,600
Adjusted net income (loss)	\$ 67,717	\$ (3,360)	\$ 121,316	\$ (7,609)
Cash flow from operating activities attributable to unitholders	\$ 19,371	\$ 10,508	\$ 38,627	\$ 22,345
Distributions paid and payable				
Trust Units	\$ 17,491	\$ 12,373	\$ 33,110	\$ 22,995
Exchangeable Units	3,800	3,800	7,600	7,600
	\$ 21,291	\$ 16,173	\$ 40,710	\$ 30,595
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	\$ 46,426	\$ (19,533)	\$ 80,606	\$ (38,204)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ (1,920)	\$ (5,665)	\$ (2,083)	\$ (8,250)
Value of Trust Units issued pursuant to the DRIP	\$ 1,544	\$ 1,183	\$ 2,918	\$ 2,457

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ (1,920)	\$ (5,665)	\$ (2,083)	\$ (8,250)
Add: Distribution income from equity accounted associates	-	-	1,898	-
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	<u>\$ (1,920)</u>	<u>\$ (5,665)</u>	<u>\$ (185)</u>	<u>\$ (8,250)</u>

Cash flow from operating activities attributable to unitholders excludes the distribution income from the REIT's investment in GHC. The distributions earned from its investment in associate are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of the equity investment. During three and six months ended June 30, 2017, the REIT's cash flow from operating activities were insufficient to pay distributions. For the three and six months ended June 30, 2017, after considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies \$1,920 and \$185 respectively, of distributions that were financed from other sources being primarily draws on the REIT's Revolving Credit Facility and the DRIP.

Participants in the REIT's DRIP have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. During the three and six months ended June 30, 2017, there was \$1,544 and \$2,918 in value of Trust Units issued respectively, under the DRIP (three and six months ended June 30, 2016, there was \$1,183 and \$2,457 in value of Trust Units, respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

See section **PART IV – CAPITALIZATION AND LIQUIDITY**.

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2016 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

Net income attributable to Unitholders for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

REIT's distributions during 2016 were deemed a 100% return of capital for tax purposes. Since IPO, annually, approximately 94% to 100% of the REIT's distributions have been deemed a return of capital for tax purposes. As the REIT has a relatively short operating history since IPO, the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will optimize tax deductions available to it in relation to the depreciation of its properties. Over time, all else remaining equal, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

The REIT believes that distributions can continue to be funded from a combination of cash flows from operations, the cash distributions received from Vital Trust, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flow from operating activities and distribution income earned from its strategic investments in Vital Trust. Distributions paid at times to unitholders have therefore been an

economic return of capital. At times the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or alternatively reduce distributions. The REIT's distribution policy is based on the REIT's AFFO. AFFO has exceeded actual cash flows from operations available to the REIT from time to time because of the recognition of certain items in AFFO that provide an economic benefit to the REIT but the timing of the realization of the cash flow associated with such economic benefit differs, such as the recognition of the REIT's proportionate share of Vital Trust's AFFO which is less than cash distributions received, and the exclusion of certain cash items in AFFO that affects cash flows from operations but to which management does not consider part of AFFO, such as debt repayment costs and the amortization of financing fees, as well as other items such as tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity, issue new equity or to reduce distributions in order to accommodate such items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales.

The REIT's Board of Trustees has targeted payment of distributions at: (i) 80-95% of the REIT's AFFO; and (ii) an amount at least equal to the net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. The amount of future distributions and the declaration and payment thereof is at the discretion of the Board of Trustees and will be based upon the REIT's financial position, results of operations, cash flow, capital requirements and restrictions under the REIT's debt obligations, as well as broader market and economic conditions, among other factors, and shall be in compliance with applicable Law.

Pursuant to National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table, Table 12, reconciles the REIT's cash flow from operations to AFFO:

Expressed in thousands of Canadian dollars	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flow from operating activities	\$ 22,521	\$ 17,407	\$ 5,114	\$ 47,474	\$ 35,259	\$ 12,215
Add (deduct):						
Non-cash interest expense	(2,403)	1,779	(4,182)	(3,730)	1,771	(5,501)
Non-cash current taxes	1,630	(1,181)	2,811	(1,261)	335	(1,596)
Changes in non-cash working capital balances	(633)	5,169	(5,802)	3,761	4,168	(407)
FFO of equity accounted entities	(35,470)	-	(35,470)	(39,693)	-	(39,693)
Other FFO adjustments	1,885	-	1,885	2,482	-	2,482
Internal leasing costs	489	529	(40)	954	918	36
Non-recurring transaction costs	11,788	1,013	10,775	11,876	3,581	8,295
Leasing costs and non-recoverable maintenance capital expenditures	(3,261)	(2,436)	(825)	(6,283)	(4,811)	(1,472)
Amortization of deferred revenue	341	288	53	648	565	83
Straight-line revenue	265	(123)	388	569	(288)	857
Redemption of units issued under the DUP	244	27	217	456	54	402
Amortization of furniture and office equipment	(399)	(60)	(339)	(781)	(155)	(626)
Foreign exchange	-	(384)	384	1	(384)	385
Convertible debenture issuance costs	-	-	-	-	-	-
Debt repayment costs	175	963	(788)	175	2,960	(2,785)
Share of profit (loss) from associates	38,270	-	38,270	43,681	-	43,681
AFFO attributable to non-controlling interest	(9,459)	(5,666)	(3,793)	(11,263)	(10,974)	(289)
	\$ 3,462	(82)	3,544	1,592	(2,260)	3,852
AFFO	\$ 25,983	\$ 17,325	\$ 8,658	\$ 49,066	\$ 32,999	\$ 16,067

QUARTERLY PERFORMANCE

The following is a summary of results for each of the last eight quarterly periods.

TABLE 13 - QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars, except per unit amounts								
	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Summary of Financial information								
Gross Book Value ("GBV") ⁽¹⁾	\$ 4,161,721	\$ 3,645,527	\$ 3,328,533	\$ 3,166,994	\$ 2,914,693	\$ 2,711,496	\$ 2,700,009	\$ 2,521,248
Debt - Declaration of Trust ⁽²⁾	\$ 1,810,466	\$ 1,480,961	\$ 1,382,784	\$ 1,364,757	\$ 1,402,740	\$ 1,334,625	\$ 1,329,514	\$ 1,321,178
Debt to GBV - Declaration of Trust	43.5%	40.6%	41.5%	43.1%	48.1%	49.2%	49.2%	52.4%
Debt - including Convertible Debentures ⁽²⁾	\$ 2,151,363	\$ 1,819,363	\$ 1,714,618	\$ 1,620,846	\$ 1,578,387	\$ 1,507,039	\$ 1,499,608	\$ 1,440,295
Debt to GBV - Incl. Convertible Debentures	51.7%	49.9%	51.5%	51.2%	54.2%	55.6%	55.5%	57.1%
Operating results								
Net income (loss)	\$ 161,799	\$ 74,534	\$ 100,846	\$ 3,633	\$ 25,838	\$ (1,186)	\$ 43,984	\$ 6,502
NOI ⁽³⁾	\$ 54,131	\$ 52,894	\$ 63,557	\$ 48,277	\$ 46,056	\$ 44,707	\$ 44,250	\$ 43,641
FFO ⁽³⁾	\$ 25,912	\$ 24,524	\$ 21,354	\$ 21,432	\$ 17,710	\$ 16,103	\$ 13,199	\$ 15,526
AFFO ⁽³⁾	\$ 25,983	\$ 23,083	\$ 19,184	\$ 17,708	\$ 17,325	\$ 15,674	\$ 14,016	\$ 14,428
Distributions ⁽⁴⁾	\$ 21,291	\$ 19,419	\$ 17,674	\$ 17,652	\$ 16,173	\$ 14,422	\$ 14,345	\$ 14,382
Per Unit amounts ⁽⁵⁾								
FFO per unit - Basic	\$ 0.24	\$ 0.26	\$ 0.24	\$ 0.25	\$ 0.22	\$ 0.22	\$ 0.18	\$ 0.22
AFFO per unit - Basic	\$ 0.25	\$ 0.25	\$ 0.22	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.20
Distributions	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Adjusted Weighted Average units outstanding ⁽⁵⁾								
Basic	106,015,975	94,212,738	88,366,983	86,344,032	78,982,759	72,037,654	71,715,369	71,926,782
Notes								
(1) Gross Book Value is defined as total assets.								
(2) As defined in Non-IFRS measures used in this MD&A.								
(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.								
(4) Represents distributions to Unitholders and Class B LP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.								
(5) Under IFRS the REIT's Class B LP Units and Class D GP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units and Class D GP Units in basic and diluted units outstanding/weighted average units outstanding.								

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

The REIT, as is common in the real estate industry, considers its capitalization to consist of debt and equity capital. The REIT actively manages both its debt and equity capital with the objective of ensuring that the REIT can continue to grow and operate its business.

The REIT monitors its debt regularly for compliance with debt covenants contained in its loan agreements. At the date of this MD&A, the REIT is in compliance with its loan covenants.

The following table shows the REIT's total capital as at June 30, 2017 and December 31, 2016 :

TABLE 14 - CAPITAL STRUCTURE		
Expressed in thousands of Canadian dollars	As at	As at
	June 30, 2017	December 31, 2016
	(Unaudited)	(Unaudited)
Mortgages and loans payable	\$ 1,794,447	\$ 1,369,665
Deferred consideration	6,763	13,119
Mortgages related to assets held for sale	9,256	-
Debt - Declaration of Trust ⁽¹⁾	1,810,466	1,382,784
Convertible Debentures at Fair Value	340,897	331,834
Debt - Including Convertible Debentures ⁽¹⁾	2,151,363	1,714,618
Mortgages and loans payable - marked to market	9,587	11,296
Mortgages and loans payable - unamortized financing costs	(19,153)	(15,285)
Total Debt	2,141,797	1,710,629
DUP Liability	17,757	14,935
Class B LP Exchangeable Units	202,899	193,780
Unitholders' equity	959,357	704,285
Total Capitalization	\$ 3,321,810	\$ 2,623,629
Notes		
(1) As defined in Non-IFRS measures used in this MD&A.		

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three and six months ended June 30, 2017:

TABLE 14 - UNITS OUTSTANDING	
	(Unaudited)
Trust Units outstanding, December 31, 2016	69,437,168
Issuance of Trust Units pursuant to equity offering	8,544,500
Issuance of Trust Units under the DRIP	142,291
Issuance of Trust Units under the DUP	21,868
Trust Units outstanding, March 31, 2017	78,145,827
Issuance of Trust Units pursuant to equity offering	9,179,300
Issuance of Trust Units under the DRIP	147,520
Issuance of Trust Units under the DUP	31,385
Trust Units outstanding, June 30, 2017	87,504,032

Class B LP Units

Under IFRS the REIT's Exchangeable Units are treated as a financial liability rather than equity. As the Exchangeable Units are convertible into Trust Units at the option of the holder, the REIT considers the Exchangeable Units equity for capital management purposes.

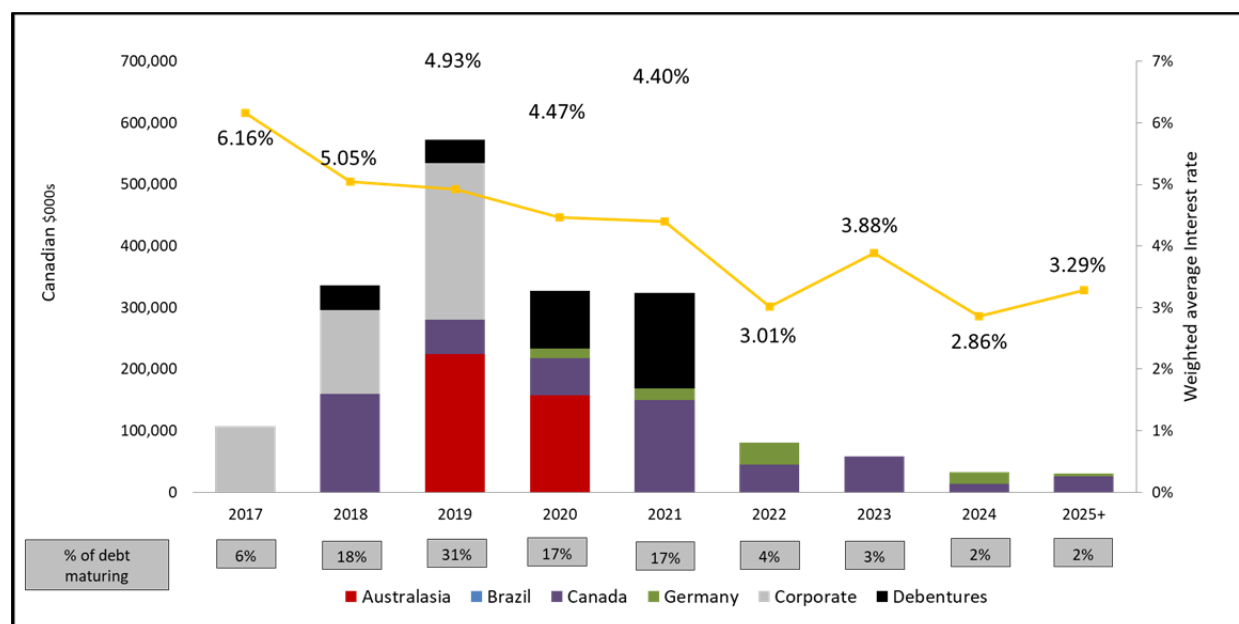
There were 18,998,065 Exchangeable Units outstanding as at June 30, 2017, unchanged from December 31, 2016.

Debt

The following table summarizes the REIT's debt as at June 30, 2017 and December 31, 2016:

TABLE 15- DEBT							
Expressed in thousands of Canadian dollars (Unaudited)							
As at June 30, 2017							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	3.71%	\$ 646,327	\$ 9,587	\$ (1,505)	\$ 654,409	April 2017 - January 2029	
Brazil							
Brazil debt ⁽²⁾	7.84%	146,383	-	(9,214)	137,169	May 2026 - December 2026	
Germany							
Mortgages	1.89%	122,623	-	(1,483)	121,140	June 2019 - August 2025	
Australasia							
Term loans	4.34%	382,113	-	(730)	381,383	March 2019 - October 2020	
Corporate							
Australasian Secured Financing	6.20%	275,376	-	(4,952)	270,424	July 2018 - April 2019	
Acquisition Facility	8.20%	32,000	-	(408)	31,592	December 2018	
Revolving Credit Facility	4.92%	189,625	-	(861)	188,764	November 2017 - November 2019	
	5.84%	\$ 497,001	\$ -	\$ (6,221)	\$ 490,780		
Total Mortgages and Loans Payable	4.65%	\$ 1,794,447	\$ 9,587	\$ (19,153)	\$ 1,784,881		
Deferred Consideration	n/a	6,763	-	-	6,763	n/a	
Total Debt excluding Convertible Debentures		\$ 1,801,210	\$ 9,587	\$ (19,153)	\$ 1,791,644		
Convertible Debentures (Corporate)	5.73%	327,350	13,547	-	340,897	March 2018 - December 2021	
Total Debt	4.81%	\$ 2,128,560	\$ 23,134	\$ (19,153)	\$ 2,132,541		
As at December 31, 2016							
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity	
Canada							
Mortgages	3.93%	\$ 670,734	\$ 11,296	\$ (1,397)	\$ 680,633	April 2017 - January 2029	
Brazil							
Brazil debt ⁽²⁾	7.84%	157,035	-	(9,947)	147,088	May 2026 - December 2026	
Germany							
Mortgages	1.92%	92,837	-	(1,601)	91,236	June 2019 - August 2025	
Australasia							
Term loans	4.66%	243,340	-	(889)	242,451	March 2019 to October 2020	
Corporate							
Australasian Secured Financing	5.86%	118,719	-	(720)	117,999	July 2018	
Acquisition Facility	8.20%	18,000	-	(544)	17,456	December 2018	
Revolving Credit Facility	3.01%	69,000	-	(187)	68,813	November 2017	
	5.11%	205,719	-	(1,451)	204,268		
Total Mortgages and Loans Payable	4.55%	\$ 1,369,665	\$ 11,296	\$ (15,285)	\$ 1,365,676		
Deferred Consideration	n/a	13,119	-	-	13,119	n/a	
Total Debt excluding Convertible Debentures		\$ 1,382,784	\$ 11,296	\$ (15,285)	\$ 1,378,795		
Convertible Debentures (Corporate)	5.73%	327,350	4,484	-	331,834	March 2018 - December 2021	
Total Debt	4.78%	\$ 1,710,134	\$ 15,780	\$ (15,285)	\$ 1,710,629		
Notes							
(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration							
(2) The Brazil debt fully amortizes over a ten year period.							

The following chart summarizes, as at June 30, 2017, the REIT's debt maturities:



The 2017 maturities above relate to Tranche D of the Revolving Credit Facility of \$107,125 which matures November 2017. This facility has two six month renewal options, exercisable at the option of the REIT.

Additional details on the REIT's mortgages and loans payable are set out below:

Canada – Mortgages

The following table summarizes, as at June 30, 2017, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its Canadian investment properties:

Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates ⁽¹⁾
As at June 30, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2017	\$ 8,613	\$ -	\$ 8,613	-
2018	17,350	159,649	176,999	3.41%
2019	14,999	56,192	71,191	3.58%
2020	13,918	59,504	73,422	4.01%
2021	8,962	149,672	158,634	3.76%
2022	6,522	44,510	51,032	4.05%
2023	3,653	57,931	61,584	3.88%
2024	2,227	14,225	16,452	4.30%
2025	976	25,653	26,629	3.50%
2026 and thereafter	1,771	-	1,771	-
	<u>\$ 78,991</u>	<u>\$ 567,336</u>	<u>\$ 646,327</u>	<u>3.71%</u>
Marked to market premium			9,587	-0.87%
			655,914	<u>2.83%</u>
Unamortized financings costs			(1,505)	
Total			<u>\$ 654,409</u>	

Notes

(1) One Canadian mortgage with a 5.73% interest rate fully amortizes over the period to January 2029.

During the three months ended June 30, 2017, the REIT entered into the Non-Revolver Secured Credit Facility with a balance of \$51,203. Proceeds from the borrowing were partially used to repay \$47,456 of existing first and second Canadian mortgages bearing a weighted average interest rate of 4.43%. Accordingly, the Non-Revolver Secured Credit Facility balance has been included in Mortgages Payable.

Brazil – Debt

TABLE 15B - BRAZIL DEBT				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total loan payable	Weighted average interest rates ⁽¹⁾
As at June 30, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2017	\$ 5,643	\$ -	\$ 5,643	-
2018	11,931	-	11,931	-
2019	12,868	-	12,868	-
2020	13,879	-	13,879	-
2021	14,970	-	14,970	-
2022	16,148	-	16,148	-
2023	17,419	-	17,419	-
2024	18,791	-	18,791	-
2025	20,272	-	20,272	-
2026 and thereafter	14,468	-	14,468	-
	\$ 146,389	\$ -	\$ 146,389	7.84%
Unamortized financings costs			(9,220)	
Total			\$ 137,169	

Notes

(1) The Brazil Term Loans fully amortize over a ten year period.

As at June 30, 2017, the outstanding balance of the three securitization financings relating to the Hospital Caxias D'Or and HMB assets was \$146,389 (\$372,474) (December 31, 2016 - \$157,035 (R\$379,772), with terms maturing between May 7, 2026 and December 6, 2026 and bearing a weighted average interest rate of 7.84% (December 31, 2016 – 7.84%).

In addition to the foregoing, the REIT has securitized a portion of the rents receivable under the Sabará Lease. The Sabará securitization in effect serves as an amortizing loan, with the 78.75% of total annual rent not being retained by the REIT serving as a mixed payment of “principal and interest” on the amount of the original advance. The Sabará securitization bears an interest rate of IPCA + 9.25%.

In March 2017, the REIT received conditional approval from Brazilian securities regulators and commenced marketing of its previously announced long-term financing of its Hospital Santa Helena asset. The financing, representing the securitization of future rents, was for an amount ranging from \$83,600 to \$87,000 (R\$196,000 to R\$204,000) with a term of 10 years and maximum interest rate of the NTN-B (an inflation (IPCA) linked bond) plus 180 basis points (estimated to currently be 5.9%) (the “**Santa Helena Financing**”). The REIT expects to complete the long term financing before the end of the year.

Germany – Mortgages

The following table summarizes, as at June 30, 2017, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its German investment properties:

Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates
As at June 30, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2017	\$ 1,603	\$ -	\$ 1,603	-
2018	3,145	-	3,145	-
2019	3,187	-	3,187	-
2020	3,062	15,929	18,991	1.42%
2021	2,550	19,327	21,877	2.55%
2022	1,784	36,242	38,026	1.74%
2023	1,400	-	1,400	-
2024	851	18,925	19,776	1.77%
2025	616	4,638	5,254	2.11%
2026 and thereafter	860	8,506	9,366	1.94%
	<u>\$ 19,058</u>	<u>\$ 103,567</u>	<u>\$ 122,625</u>	<u>1.89%</u>
Unamortized financings costs			(1,485)	
Total			<u>\$ 121,140</u>	

During the three months ended June 30, 2017, the REIT completed, the refinancing of mortgages secured against 12 of the REIT's properties located in Leipzig and Hamburg, Germany. The refinancing replaced current mortgages with an outstanding balance of \$20,081 (€13,573), weighted average interest rate of 1.97% and weighted average term to maturity of 2.66 years. The refinancing represents two mortgages totaling \$27,222 (€18,400), bearing interest rates ranging from 1.83% to 1.94% (weighted average interest rate of 1.89%) and terms ranging from 5-10 years representing a weighted average term of 7.53 years. Additionally, during the six months ended June 30, 2017, the REIT also entered or assumed three mortgages for total of \$19,236 (€13,643) with respect to acquisition of the Medical Care Centre Hamburg-Bergedorf and Altstadt-Caree Fulda Medical Centre. The assumed mortgages have a weighted average interest rate of 1.95% and a weighted average term to maturity of five years.

All of the REIT's investment properties in Germany have been pledged as security against the German mortgages and loans.

Australasia – Term Loans

Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total loans payable	Weighted average interest rates
As at June 30, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2019	\$ -	\$ 224,173	\$ 224,173	4.34%
2020	-	157,940	\$ 157,940	4.34%
	<u>\$ -</u>	<u>\$ 382,113</u>	<u>\$ 382,113</u>	<u>4.34%</u>
Unamortized financings costs			(730)	
Total			<u>\$ 381,383</u>	

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The facility consists of the following tranches: Tranche A: approximately \$124,000 (A\$125,000) which expires March 31, 2019; Tranche B: approximately \$99,000 (A\$100,000) which expires March 31, 2019; Tranche C: approximately \$99,000 (A\$100,000) which expires October 30, 2020; Tranche D approximately \$99,000 (A\$100,000) which expires October 30, 2020; plus the New Zealand Dollar Facility, approximately \$19,000 (NZ\$20,000) which expires October 30, 2020.

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

The Vital Trust's policy is to convert a portion of its floating rate debt to fixed rates using interest rate swaps to maintain 70% to 100% of its borrowings in fixed rate instruments. Vital Trust has entered into interest rate swaps that mature over the next 10 years and have fixed interest rates ranging from 2.41% to 4.99% that fix interest on \$303,879 (NZ\$320,210) of the syndicated facility. The weighted average effective interest rate on the Australasia Term Loans was 4.34% as at June 30, 2017.

Corporate

TABLE 15D - CORPORATE DEBT				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total loans payable	Weighted average interest rates
As at June 30, 2017	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2017	\$ -	\$ 107,125	\$ 107,125	6.16%
2018	-	136,133	136,133	6.41%
2019	-	253,743	253,743	5.39%
	<u>\$ -</u>	<u>\$ 497,001</u>	<u>\$ 497,001</u>	<u>5.84%</u>
Unamortized financings costs			(6,221)	
Total			<u>\$ 490,780</u>	

The REIT's corporate borrowings include the Revolving Credit Facility, the Australasian Secured Financing, and the Acquisition Facility (defined hereafter).

The Revolving Credit Facility has total borrowing capacity of \$220,000, of which \$189,625 was borrowed as at June 30, 2017. The various tranches have a maturity dates between November 2017 and November 2019. The weighted average interest rate on the Revolving Credit Facility as at June 30, 2017 was 4.92%. During the quarter and subsequent to quarter end, several amendments were made to the Revolving Credit Facility. See **Highlights for the Quarter** and **Subsequent Events**.

The Australasian Secured Financing is made up of two separate facilities: the Australasian Secured Financing, a New Zealand dollar denominated facility which has a borrowing capacity of \$104,133 (NZ\$109,729) and matures in July 2018, and the Australasian Secured Acquisition Facility, an Australian dollar denominated facility which has a borrowing capacity of \$171,243 (A\$172,000) and matures in April 2019. As at June 30, 2017, both facilities were fully drawn. The weighted average interest rate as at June 30, 2017 on the Australasian Secured Financing and the Australasian Secured Acquisition Facility was 5.89% and 6.39% respectively. During the quarter, an amendment was made to the Australasian Secured Facility and the Australasian Secured Acquisition Facility was signed subsequently drawn to partially fund the GHC Bid. See **Highlights for the Quarter**.

The Acquisition Facility has a borrowing capacity of \$32,000 (of which \$8,000 is non-revolving) and matures on December 31, 2018 (the "**Acquisition Facility**"). As at June 30, 2017, the Acquisition Facility was fully drawn and had a weighted average interest rate of 8.2%.

Convertible Debentures

The following table summarizes, as at June 30, 2017, the REIT's Convertible Debentures:

TABLE 15E - CONVERTIBLE DEBENTURES						
Expressed in thousands of Canadian dollars	<u>Fair Value ⁽¹⁾</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Conversion Price per Unit</u>	<u>Maturity Date</u>	<u>Interest Payment Dates</u>
As at June 30, 2017						
Series NWH.DB	41,256	40,250	5.25%	\$ 14.20	September 30, 2020	March 31, September 30
Series NWH.DB.A	22,668	22,600	6.50%	\$ 13.70	March 31, 2018	March 31, September 30
Series NWH.DB.B	17,894	17,500	7.50%	\$ 11.54	September 30, 2018	March 31, September 30
Series NWH.DB.C	40,711	38,750	7.25%	\$ 12.50	October 31, 2019	April 30, October 31
Series NWH.DB.D	55,253	53,000	5.50%	\$ 11.25	October 31, 2020	April 30, October 31
Series NWH.DB.E	79,235	74,750	5.25%	\$ 12.75	July 31, 2021	January 31, July 31
Series NWH.DB.F	83,880	80,500	5.25%	\$ 12.80	December 31, 2021	June 30, December 31
	<u>\$ 340,897</u>	<u>\$ 327,350</u>	<u>5.73%</u>			
Notes						
(1) The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date.						

Deferred Consideration

Deferred consideration relates to holdbacks payable and transaction costs not yet paid related to previously completed acquisitions.

As at June 30, 2017 deferred consideration includes \$6,726 (R\$17,115) related to the acquisitions of Hospital Ifor and Hospital Santa Helena and \$37 (€25) related to the German acquisitions of Mehrower Allee.

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at June 30, 2017 the DUP Liability is \$17,757 (December 31, 2016 - \$14,935).

RATIOS AND COVENANTS

Pursuant to the Declaration of Trust the REIT shall not incur or assume any indebtedness, as defined, if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of GBV.

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three and six months ended June 30, 2017 and 2016:

TABLE 15F- RATIOS						
Expressed in thousands of Canadian dollars						
	As at June 30, 2017	As at December 31, 2016				
	<u>(Unaudited)</u>	<u>(Unaudited)</u>				
Gross Book Value ⁽¹⁾	\$ 4,161,721	\$ 3,328,533				
Debt - Declaration of Trust ⁽¹⁾	\$ 1,810,466	\$ 1,382,784				
Debt to Gross Book Value - Declaration of Trust	43.5%	41.5%				
Debt - Including Convertible Debentures ⁽¹⁾	\$ 2,151,363	\$ 1,714,618				
Debt to Gross Book Value - Including Convertible Debentures	51.7%	51.5%				
	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income (Loss) before taxes	\$ 165,339	\$ 41,612	\$ 123,727	\$ 255,475	\$ 45,852	\$ 209,623
Add (deduct):						
Mortgage and loan interest expense	22,282	17,253	5,029	42,621	36,227	6,394
Distributions on Exchangeable Units	3,800	3,800	-	7,600	7,600	-
Amortization of deferred financing costs	2,185	966	1,219	3,084	1,983	1,101
Amortization of marked to market adjustment	(779)	(1,638)	859	(1,545)	(4,190)	2,645
EBITDA	\$ 192,827	\$ 61,993	\$ 130,834	\$ 307,235	\$ 87,472	\$ 219,763
Loss on revaluation of financial liabilities	436	2,954	(2,518)	1,975	5,427	(3,452)
Fair market value losses (gains)	(119,362)	(25,865)	(93,497)	(177,334)	(15,958)	(161,376)
DUP Compensation Expense	1,804	1,887	(83)	2,993	3,748	(755)
Foreign exchange loss (gain)	6,995	262	6,733	3,006	(2,010)	5,016
Net loss on disposal of investment properties	-	263	(263)	-	1,680	(1,680)
Gain on business combination	-	(53)	53	-	(53)	53
Transaction costs	11,788	1,013	10,775	11,876	3,581	8,295
Less: Share of (profit) loss of associates	(38,270)	-	(38,270)	(43,681)	-	(43,681)
Add: Distribution income from equity accounted associates	-	-	-	1,898	-	1,898
Adjusted EBITDA	\$ 56,218	\$ 42,454	\$ 13,764	\$ 107,968	\$ 83,887	\$ 24,081
Mortgage and loan interest expense	\$ 22,282	\$ 17,253	\$ (5,029)	\$ 42,621	\$ 36,227	\$ (6,394)
Less: Debt repayment costs	(175)	(963)	(788)	(175)	(2,960)	(2,785)
Adjusted mortgage and loan interest expense	\$ 22,107	\$ 16,290	\$ (5,817)	\$ 42,446	\$ 33,267	\$ (9,179)
Interest Coverage	2.54	2.61	(0.07)	2.54	2.52	0.02
Notes						
(1) As defined in Non-IFRS measures used in this MD&A.						

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

Expressed in thousands of Canadian dollars	As at	As at
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	(Unaudited)	(Unaudited)
Cash	\$ 52,252	\$ 19,955
Restricted Cash	315	296
Total	\$ 52,567	\$ 20,251

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term securitization financings.

The REIT also has a Revolving Credit Facility that provides for additional liquidity. As at June 30, 2017, the drawn balance on the Revolving Credit Facility was \$189,625 of the \$220,000 available to be drawn. The liquidity of the Australasian Secured Financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

Subsequent to the quarter end, the REIT completed the acquisition of the remaining 6.4% of GHC which required further additional proceeds of \$33,008 (excluding transaction costs). The incremental investment was funded by cash on hand and the capacity on the Revolving Credit Facility. See **Subsequent Events**.

On the assumption that occupancy levels remain strong, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to refinance maturing debt and finance future acquisitions from: (i) existing cash balances, and (ii) a mix of mortgage debt secured by investment properties, acquisition facilities, operating facilities, issuance of equity and convertible/unsecured debentures, and select asset sales. Cash flow generated from operating activities and distribution income received from the REIT's investment in Vital Trust are sources of liquidity to service debt (except maturing debt), sustain maintenance capital expenditures, leasing costs and unit distributions.

Contractual cash flows

Liquidity risk arises from the REIT's financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources available to fund current and long-term obligations and to meet the REIT's capital commitments in a cost-effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) distribution income received from its investment in Vital Trust; (iii) financing available through both conventional mortgage debt secured by income producing properties, as well as unsecured debt; (iv) the issuance of new equity and debt securities; and (v) to the extent necessary, the sale of assets.

The following table sets out the REIT's contractual cash flows as at June 30, 2017:

	Carrying amount	Contractual cash flow	2017	2018	2019	2020	2021	Thereafter
Accounts payable and accrued liabilities	\$ 51,479	\$ 51,479	\$ 51,479	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions payable	5,834	5,834	5,834	-	-	-	-	-
Income tax payable	18,233	18,233	18,233	-	-	-	-	-
Liabilities associated with assets held for sale	9,256	9,256	9,256	-	-	-	-	-
Deferred consideration	6,763	6,763	6,763	-	-	-	-	-
Convertible debentures	340,897	390,125	7,423	58,135	54,738	106,429	163,400	-
Mortgages and loans payable	1,784,881	1,944,743	140,730	361,619	593,134	288,909	212,515	347,836
Total	\$ 2,217,343	\$ 2,426,433	\$ 239,718	\$ 419,754	\$ 647,872	\$ 395,338	\$ 375,915	\$ 347,836

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flows or any cash distributions received from its investments in Vital Trust and GHC, to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities totaled \$334,447, exceeding current assets of \$84,988, resulting in a working capital deficiency of \$249,459 as at June 30, 2017.

Current liabilities include:

- \$9,256 of liabilities related to assets held for sale. The proceeds of the sale of these assets are expected to be sufficient to settle the associated liabilities.
- Tranche D of the Revolving Credit Facility of \$107,125 which matures November 2017. This facility has two six month renewal options, exercisable at the option of the REIT. Should the REIT not be able to replace this debt with longer term financing, the REIT expects exercise its renewal options.
- The NWH.DB.A Convertible Debentures with a fair value of \$22,668 (face value of \$22,600) which mature March 31, 2018. The REIT is currently considering refinancing options which may include the repayment of the remaining balance.
- The Canadian Non-Revolving Secured Credit Facility with a balance of \$51,203 which matures on May 2, 2018. The REIT is currently expects to renew the facility on or before its maturity.
- \$69,934 of Canadian mortgage maturities that the REIT expects to refinance in the normal course as they mature.

There are no assurances that the timing, amounts and/or terms of any refinancing, or other efforts will be on terms favourable or otherwise satisfactory to the REIT. If the terms of any such refinancing or other efforts are less favourable than the terms of the existing loans, then the financial condition of the REIT, as well as the REIT's ability to continue to meet required interest and principal payments, meet capital commitments, or to continue to make distributions at current levels, may be materially adversely affected.

Changes in Cash

The following table sets out the REIT's net change in cash:

Expressed in thousands of Canadian dollars	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Cash provided by / (used in):						
Operating activities	\$ 22,521	\$ 17,407	\$ 5,114	\$ 47,474	\$ 35,259	\$ 12,215
Investing activities	(436,207)	(107,452)	(328,755)	(535,424)	(129,425)	(405,999)
Financing activities	410,321	109,368	300,953	525,237	110,578	414,659
Net increase / (decrease) in cash during the period	(3,365)	19,323	(22,688)	37,287	16,412	20,875
Effect of foreign currency translation	(5,459)	1,992	(7,451)	(4,990)	2,111	(7,101)
Net increase / (decrease) in cash during the period	\$ (8,824)	\$ 21,315	\$ (30,139)	\$ 32,297	\$ 18,523	\$ 13,774

Operating activities

Cash provided by operating activities totaled \$22,521 for the three months ended June 30, 2017 as compared to cash flow provided by operating activities of \$17,407 for the three months ended June 30, 2016, an increase of \$5,114. Of this increase, \$8,075 is attributable to NOI improvements and \$6,621 to an increase in management fee revenue; partially offset by an increase in transaction costs of \$10,775, an increase to taxes paid of \$2,455, and working capital movements that reduced operating cash flow from the prior year by \$5,802.

Cash provided by operating activities totaled \$47,474 for the six months ended June 30, 2017 as compared to cash flow provided by operating activities of \$35,259 for the six months ended June 30, 2016, an increase of \$12,215. Of this increase, \$16,262 is attributable to NOI improvements and \$7,484 to an increase in management fee revenue; partially offset by an increase in transaction costs of \$8,295, an increase to taxes paid of \$908, and an increase to interest paid of \$893.

Investing activities

Cash used by investing activities totaled \$436,207 for the three months ended June 30, 2017, which is primarily due to \$363,491 used to increase the REIT's investment in GHC from approximately 22% to 94%, \$58,014 related to acquisitions of investment properties, \$18,968 of additions to investment properties; partially offset by distributions from associates of \$5,263.

Cash used by investing activities totaled \$107,452 for the three months ended June 30, 2016, which is primarily due to \$56,226 related to the acquisition of GHM, \$22,943 related to the acquisition of investment properties and \$29,649 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of \$4,536.

Cash used by investing activities totaled \$535,424 for the six months ended June 30, 2017, which is primarily due to \$376,867 used to increase the REIT's investment in GHC from approximately 22% to 94%, \$127,648 related to acquisitions of investment properties, and \$38,235 of additions to investment properties; partially offset by distributions from associates of \$7,354.

Cash used in investing activities totaled \$129,425 for the six months ended June 30, 2016, which is primarily due to \$56,226 related to the acquisition of GHM, \$76,620 related to the acquisition of investment properties and \$47,331 of additions to investment properties; partially offset by proceeds from dispositions of investment properties of \$44,419.

Financing activities

Cash generated in financing activities totaled \$410,321 for the three months ended June 30, 2017 as compared to \$109,368 during the three months ended June 30, 2016.

During the three months ended June 30, 2017 the REIT received net proceeds, \$93,139 from the issuance of equity, received, net of repayments, from mortgages, loans payable and credit facilities of \$353,142, paid financing fees of \$6,283, paid distributions to REIT unitholders of \$19,123, paid distributions to non-controlling unitholders of Vital Trust of \$4,848 and received net advances from related parties of \$351.

During the three months ended June 30, 2016, the REIT received net proceeds of \$75,438 from an equity offering, received net of repayments from mortgages, loans payable and credit facilities of \$89,650, paid financing fees of \$5,105, paid distributions to REIT unitholders of \$14,410, paid distributions to non-controlling unitholders of Vital Trust of \$4,943, paid deferred consideration of \$30,627 and made net advances to related parties of \$635.

Cash generated in financing activities totaled \$525,237 for the six months ended June 30, 2017 as compared to \$110,578 during the six months ended June 30, 2016.

During the six months ended June 30, 2017 the REIT received net proceeds, \$175,266 from the issuance of equity, received, net of repayments, from mortgages, loans payable and credit facilities of \$409,555, paid financing fees of \$7,395, paid distributions to REIT unitholders of \$36,538, paid distributions to non-controlling unitholders of Vital Trust of \$9,945 and received net advances from related parties of \$351.

During the six months ended June 30, 2016, , the REIT received net proceeds of \$75,438 from an equity offering, received net of repayments from mortgages, loans payable and credit facilities of \$110,124, paid financing fees of \$6,329, paid distributions to REIT unitholders of \$27,527, paid distributions to non-controlling unitholders of Vital Trust of \$9,580, paid deferred consideration of \$30,627, acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$286 and made net advances to related parties of \$635.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended June 30, 2017, approximately 86% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter ⁽¹⁾		Trading Range			
		<i>(Against CAD)</i>			
		BRL	EUR	NZD	AUD
Three months ended June 30, 2017:					
High		0.4384	1.5207	0.9733	1.0303
Low		0.3925	1.4081	0.9237	0.9956
Average		0.4193	1.4795	0.9481	1.0102
Balance Sheet:					
June 30, 2017		0.3930	1.4790	0.9490	0.9956
December 31, 2016		0.4135	1.4153	0.9329	0.9691
Profit & Loss:					
Q2 2017 Average Rate		0.4193	1.4795	0.9481	1.0102
Q1 2017 Average Rate		0.4211	1.4099	0.9413	1.0028
Q4 2016 Average Rate		0.4049	1.4410	0.9498	1.0007
Q3 2016 Average Rate		0.4015	1.4545	0.9419	0.9885
Q2 2016 Average Rate		0.3682	1.4562	0.8909	0.9617
Notes					
(1) Canadian Dollar AFFO represents interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.					

For the three months ended June 30, 2017, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses.

For the three months ended June 30, 2017, Canadian dollar AFFO was \$3,711 while Canadian dollar distributions paid in cash to Unitholders totaled \$21,291. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany, Australia, and New Zealand and the draws on the Revolving Credit Facility.

As at June 30, 2017 the REIT held approximately \$6,600 of cash and receivables denominated in Canadian Dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT has not executed any derivative foreign currency hedging arrangements in the past year; however, Vital Trust has in place a proactive currency management policy which aims to reduce volatility in the Australian dollar relative to the New Zealand dollar. Vital Trust's transaction hedging policy framework minimizes earnings volatility by means of coverage on forecasted Australian dollar profits. Vital Trust's translation hedging is managed both through natural hedges as Vital Trust has Australian based investment properties and Australian denominated borrowings and through rolling foreign exchange contracts.

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt, inflation-indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging

derivatives. The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

Among The REIT's global currencies the BRL has been the most volatile with the BRL/CAD spot exchange rate down 8.2% quarter over quarter. The decline in BRL was partially offset by positive movements in the EUR/CAD exchange rate (+4.4%) and NZD/CAD (+1.9%).

PART V – RELATED PARTY TRANSACTIONS

- a) As at June 30, 2017, NWVP indirectly owned approximately 25% of the outstanding Trust Units (approximately 20% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.
- b) The following table summarizes the related party transactions with NWVP and its affiliates related to the Cost-Sharing and Sublease Agreements during the period:

TABLE 19A - RELATED PARTY TRANSACTIONS						
Expressed in thousands of Canadian dollars	Three months ended June 30			Six months ended June 30		
	2017	2016	Variance	2017	2016	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Out-of-pocket costs paid	\$ 121	\$ 52	\$ 69	\$ 794	\$ 210	\$ 584
Cost-sharing and sublease amounts paid	24	165	(141)	127	359	(232)

- c) The following table summarizes the balance owing (to)/from NWVP and its subsidiaries:

TABLE 19B - RELATED PARTY BALANCE SHEET AMOUNTS			
Expressed in thousands of Canadian dollars	As at	As at	Variance
	June 30, 2017	December 31, 2016	
	(Unaudited)	(Unaudited)	(Unaudited)
Amounts (payable) receivable			
Cost-sharing and sublease amounts	\$ (36)	315	\$ (351)
Amounts payable			
Class B Exchangeable Unit distributions	\$ 1,267	\$ 1,267	\$ -

Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. Please refer to note 1 in the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

PART VII – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the Convertible Debentures and in the activities of the REIT which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. The REIT's Annual Information Form, which can be found on SEDAR at www.sedar.com, contains a detailed summary, under "Risk Factors", of the risk factors pertaining to the REIT and its business.

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52-109")) to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the filings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

For additional information on the REIT's disclosure controls and procedures and internal controls over financial reporting refer to "Controls and Procedures" in the REIT's MD&A for the three months and year ended December 31, 2016, which can be found on SEDAR at www.sedar.com.

PART IX – OUTLOOK

During 2017, the REIT will continue to focus on lowering its cost of capital through debt refinancings and repayments, and new financing; continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets; and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key initiatives as outlined below:

1. Continue to enhance its management platform and operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Simplify its corporate structure, including fully integrating its acquisition of GHC;
4. Continue to achieve maximum returns and drive unitholder value through optimal capital allocation within the REIT's global markets;
5. Optimize its capital structure;
6. Increase investor liquidity by raising new capital and broadening its investor base; and
7. Increase its profile through strategic capital relationships and a measured investor relations and communication strategies.

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PART XI – PROPERTY TABLE

As at June 30, 2017

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
Canada							
1 Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	1	100.0%	0.1
2 Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,813	34	100.0%	4.2
3 Riley Park Health Centre ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956	72,808	9	100.0%	3.7
4 Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977	68,060	30	94.3%	4.5
5 Foothills Professional Building	Calgary, AB	Mar 25 2010	1980	58,607	22	100.0%	3.4
6 Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,150	8	67.1%	2.2
7 Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1992	53,126	4	74.3%	6.9
8 Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	6.3
9 Hys Centre	Edmonton, AB	Feb 1 2011	1978	181,580	34	83.1%	4.4
10 Tawa Centre	Edmonton, AB	May 31 2011	1986	87,651	24	99.4%	4.6
11 Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	69,228	17	98.2%	4.4
12 Garneau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,326	15	69.6%	3.8
13 Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	69,423	16	100.0%	2.9
14 WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974	43,750	3	84.7%	11.0
15 Hargrave Place	Winnipeg, MB	Jul 31 2013	1977	70,947	2	99.0%	12.2
16 Dundas-Edward Centre	Toronto, ON	Jan 25 2011	1973	416,652	81	91.7%	5.1
17 Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	83	94.8%	2.9
18 Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,176	56	98.1%	3.8
19 North York Medical Arts Building	Toronto, ON	Mar 25 2010	1978	75,855	59	100.0%	4.9
20 The Stewart Building	Toronto, ON	Mar 25 2010	1951	43,118	1	100.0%	1.8
21 Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,667	16	87.9%	3.8
22 Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	12.8
23 One Medical Place	Toronto, ON	Mar 25 2010	1964	40,760	19	86.7%	5.6
24 Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,496	9	96.5%	1.2
25 Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,104	15	100.0%	7.3
26 81 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	1994	35,402	4	79.1%	12.6
85 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	2016	46,448	6	91.1%	15.0
27 Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977	170,023	67	75.2%	3.9
28 Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,009	29	91.5%	4.1
29 Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	34,108	22	97.1%	4.4
30 Wentworth/Immeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	18	91.9%	4.6
31 Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,355	15	100.0%	1.8
32 Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	19	81.1%	4.1
33 Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,030	31	91.5%	4.3
34 Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	82,643	19	100.0%	3.7
35 Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991	36,013	15	100.0%	4.5
36 Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	27,518	11	88.5%	4.7
37 Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1995	26,354	14	86.4%	3.9
38 Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	11	89.3%	6.2
39 Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	20,065	14	86.6%	6.2
40 CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	6.6
41 Clinique Bois-De-Boulogne	Montreal, QC	Mar 25 2010	1983	96,430	26	87.5%	3.2
42 Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	118,010	31	87.0%	3.7
43 Clinique Bleue	Longueuil, QC	Mar 25 2010	1988	25,728	7	97.2%	6.0
44 2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988	24,644	1	100.0%	3.3
45 CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	46,639	2	100.0%	0.9
46 950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,512	16	98.0%	5.1
47 Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994	53,771	1	100.0%	6.0
48 CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	5.4
49 Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	11	100.0%	4.6
50 Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,591	8	100.0%	1.3
51 Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	39	89.7%	4.1
52 Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	40,677	17	98.4%	4.2
53 Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	5.2
54 Halifax Professional Centre	Halifax, NS	Mar 25 2010	1972	115,830	75	86.4%	4.3
55 Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	12	100.0%	2.5
56 New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	7.4
57 Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	2016	79,229	4	50.3%	10.9
				3,910,142	1,114	91.5%	4.8
Redevelopment Properties:							
58 490 Harwood Boulevard	Vaudreuil/Dorion, QC	Mar 25 2010	1985	24,457	n/a	0.0%	n/a
Parkwood ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956	20,271	n/a	0.0%	n/a
				44,728	n/a	n/a	n/a
Development Land:							
St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
479 Hume	Collingwood, ON	Jan 26 2017	n/a	n/a	n/a	n/a	n/a

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE								
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾	
Brazil								
59 Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	7.3	
<i>Rede D'Or Hospital Portfolio:</i>								
60 Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	20.5	
61 Hospital Santa Luzia	Brasilia's South Wing	Dec 23 2013	2003	185,139	1	100.0%	21.5	
62 Hospital Do Coracao	Brasilia's South Wing	Dec 23 2013	2007	96,875	1	100.0%	21.5	
63 Hospital Caxias	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	21.5	
64 Hospital IFOR	São Paulo	July 19 2016	2001	150,000	1	100.0%	24.1	
65 Hospital Santa Helena	Brasilia - DF	Oct 24 2016	2006	323,774	1	100.0%	24.3	
				1,493,329	7	100.0%	21.2	
Germany								
66 Adlershof 1	Berlin	Nov 16 2012	2004	55,291	53	95.1%	5.4	
67 Adlershof 2	Berlin	Nov 16 2012	2010	47,507	39	100.0%	3.6	
68 Berlin Neukölln	Berlin	Nov 16 2012	2000	33,991	16	99.8%	5.1	
69 Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,693	25	91.6%	3.8	
70 Fulda - 3-5flem	Fulda	Mar 31 2013	2010	111,205	33	99.0%	3.3	
71 Polimedica Centre**	Berlin	Jun 25 2014	2007	113,937	33	98.2%	8.9	
72 Hollis Centre**	Ingolstadt	Jun 25 2014	1996	99,651	38	99.2%	3.8	
73 Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	10	100.0%	6.2	
74 Leipzig Baestlein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	5.6	
75 Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	9	83.9%	5.8	
76 Leipzig Karlshof**	Leipzig	Jun 25 2014	1982	19,013	7	91.4%	7.7	
77 Leipzig Lidicestrasse**	Leipzig	Jun 25 2014	1975	19,201	13	100.0%	6.1	
78 Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	4.0	
79 Leipzig Plovdiver**	Leipzig	Jun 25 2014	1975	18,217	4	93.6%	4.3	
80 Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	2.0	
81 Leipzig Stuttgarter**	Leipzig	Jun 25 2014	1978	18,047	10	95.0%	3.7	
82 Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	5.5	
83 Leipzig Yorckstrasse**	Leipzig	Jun 25 2014	1975	11,624	5	86.0%	5.2	
84 Hohenschonhausen	Berlin	Aug 30 2014	1996	64,640	38	94.1%	2.9	
85 Mehrower Alle	Berlin	Apr 14 2016	2013	82,242	59	97.3%	3.8	
86 Alstadt-Caree Fulda Medical Centre	Fulda	Feb 1 2017	2017	30,638	11	95.4%	8.1	
87 Medical Care Centre Hamburg-Bergedorf	Hamburg	Feb 1 2017	1989	60,453	31	92.8%	5.7	
** - the "Core German MOB Portfolio"				930,988	474	96.3%	5.0	
Development Land:								
Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a	
Mehrower Lands	Berlin	Feb 1 2017	n/a	n/a	n/a	n/a	n/a	
Australia								
88 The Southport Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,776	1	100.00%	21.1	
89 Belmont Private Hospital	Carina, Queensland	Dec 22 2010	1973/2015	94,024	1	100.00%	19.2	
90 Clover-Lea Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1919/1960/2003	16,146	1	100.00%	19.2	
91 Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	60,144	1	100.00%	15.1	
92 Epworth Eastern Hospital	Melbourne, Victoria	Mar 30 1999	2005	136,610	6	100.00%	22.7	
93 Epworth Eastern Medical Centre	Melbourne, Victoria	Mar 30 1999	1986	33,421	24	100.00%	10.6	
94 Epworth Rehabilitation	Melbourne, Victoria	Feb 01 1999	1971	37,136	1	100.00%	2.1	
95 Fairfield Residential Aged Care	Sydney, New South Wales	Mar 1 2016	1968/2009	31,000	1	100.00%	19.2	
96 Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,496	7	68.23%	2.3	
97 Hammersley Residential Aged Care	Perth, Western Australia	Mar 1 2016	1971	20,279	1	100.00%	19.2	
98 Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,239	1	100.00%	25.3	
99 Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,567	1	100.00%	24.2	
100 Maitland Private Hospital	Maitland, New South Wales	Dec 22 2010	2001/2015	126,865	2	100.00%	21.0	
101 Marian Centre	Perth, Western Australia	Aug 12 2014	1965	38,212	1	100.00%	17.6	
102 Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.00%	15.0	
103 North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,361	2	100.00%	15.1	
104 Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.00%	15.1	
105 Rockingham Residential Aged Care	Perth, Western Australia	Mar 1 2016	1968/1992	14,596	1	100.00%	19.2	
106 South Eastern Private Hospital	Melbourne, Victoria	Dec 22 2010	1970	91,462	1	100.00%	24.2	
107 Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,608	2	100.00%	18.4	
108 Sportsmed Consulting ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1990	9,074	1	0.00%	-	
109 Sportsmed Office ⁽⁹⁾	Adelaide, South Australia	Jan 20 2016	1988	15,253	1	100.00%	19.1	
110 Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.00%	26.0	
111 Mons Road	Westmead, New South Wales	Sept 30 2016	2010	31,179	6	100.00%	5.9	
112 Ekeru Medical Centre	Box Hill, Victoria	Nov 17 2016	2014	30,753	12	92.08%	4.1	
113 Abbotsford Private Hospital	West Leederville, WA	Feb 24 2017	2012	16,695	1	100.00%	25.2	
114 Grafton Aged Care Home	South Grafton, NSW	Mar 31 2017	1940	37,674	1	100.00%	20.3	
115 Hirondele Private Hospital	Chatswood, NSW	May 31 2017	2013	34,402	1	100.00%	25.4	
				1,773,797	82	98.8%	19.3	
Development Land:								
116 25 Nelson Road ⁽¹⁰⁾	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a	
117 142 Brighton Avenue ⁽¹¹⁾	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a	
118 27 Hopkins Street ⁽¹²⁾	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a	
119 6 Lingard Street ⁽¹²⁾	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a	

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE							
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾
New Zealand							
120 Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	52,925	21	91.50%	3.8
121 Ascot Central	Greenlane East, Auckland	May 1 2008	2008	51,437	17	98.36%	3.4
122 Ascot Central Car Park	Greenlane East, Auckland	ground lease	1999	4,833	16	100.00%	15.7
123 Ascot Hospital	Greenlane East, Auckland	Mar 25 1999	1999	122,497	20	99.48%	19.0
124 Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.00%	29.5
125 Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.00%	3.0
126 Boulcott Private Hospital	Lower Hutt	Jul 1 2016	1985	45,672	1	100.00%	21.5
127 Ormiston Hospital	Flatbush, South Auckland	Apr 04 2017	2008	53,805	8	100.00%	5.7
				402,771	85	98.5%	12.3
Development Land:							
678 High Street	Lower Hutt	Jul 1 2016	n/a	n/a	n/a	n/a	n/a
Australasia Total - Vital Trust⁽³⁾							
				2,176,568	167	98.8%	18.0
to Generation Healthcare REIT⁽¹³⁾ (16 Properties)							
143				1,117,712	114	98.1%	13.6
Portfolio Totals / Weighted Averages⁽⁵⁾							
				9,673,467	1,876	95.7%	11.4
Portfolio Totals / Weighted Averages - at ownership interest⁽⁴⁾⁽⁵⁾							
				7,973,979		95.0%	10.0
Notes							
(1) Blended between year built/renovated or expanded, as applicable.							
(2) As at June 30, 2017 weighted average lease expiry in years. For Glenmore a renewal deal has been finalised with Bantrel on 72,720 sq ft for a 5 year term commencing August 1 2017, WALE including this deal would be 4.9							
(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 25% interest in Vital Trust. The property count for Vital includes four properties representing development land.							
(4) Calculation is based on the REIT's ownership interest in Vital Trust and Generation Health							
(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties							
(6) One of two buildings on a two building campus							
(7) One of two buildings on a two building campus							
(8) Adjacent to South Eastern Private Hospital							
(9) Adjacent Sportsmed Private Hospital							
(10) Adjacent to Epworth Easter Hospital							
(11) Adjacent to Toronto Private Hospital							
(12) Adjacent Lingard Private Hospital							
(13) Represents 100% of Generation Healthcare REIT. The REIT has an exposure to an approximately 94% interest in Generation Healthcare REIT. WALE reflects the weighted average rental income over the net effective annual rents							

PART XII – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE										
Unaudited	Three months ended June 30, 2017									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Net Operating Income⁽¹⁾										
Revenue from investment properties	\$ 34,378	\$ 13,452	\$ 4,533	\$ 21,271	\$ -	\$ -	\$ (500)	\$ 20,771	\$ -	\$ 73,134
Property operating costs	(15,291)	-	(1,317)	(2,448)	-	-	53	(2,395)	-	(19,003)
	19,087	13,452	3,216	18,823	-	-	(447)	18,376	-	54,131
Other income										
Share of profit (loss) from associates	-	-	-	-	720	-	37,550	38,270	-	38,270
Management fees	-	-	-	-	6,089	11,883	(11,351)	6,621	-	6,621
Interest income	28	385	2	14	3	2	-	19	87	521
	28	385	2	14	6,812	11,885	26,199	44,910	87	45,412
	19,115	13,837	3,218	18,837	6,812	11,885	25,752	63,286	87	99,543
Other expenses										
Mortgage and loan interest expense	(6,171)	(2,888)	(720)	(3,972)	-	-	-	(3,972)	(8,531)	(22,282)
General and administrative expenses	(489)	(492)	(701)	(4,468)	(2,665)	(762)	4,598	(3,297)	(1,880)	(6,859)
Transaction costs	-	-	-	-	-	(132)	-	(132)	(11,656)	(11,788)
Other Finance costs	595	(1,157)	(267)	(91)	-	-	-	(91)	(9,687)	(10,607)
Foreign exchange gain (loss)	(50)	(12)	-	(2,660)	(5)	(1)	-	(2,666)	(4,267)	(6,995)
Income / (Loss) before the undernoted items	13,000	9,288	1,530	7,646	4,142	10,990	30,350	53,128	(35,934)	41,012
Fair value adjustment of DUP liability	-	-	-	-	(167)	-	-	(167)	(228)	(395)
Fair value adjustment of investment properties	539	3,321	(1,087)	115,315	-	-	2,138	117,453	-	120,226
Net loss on disposal of investment properties	-	-	-	-	-	-	-	-	-	-
Gain on business combination	-	-	-	-	-	-	-	-	-	-
Gain / (Loss) on derivative financial instruments	280	-	343	3,450	-	971	-	4,421	(548)	4,496
Income / (Loss) before taxes	13,819	12,609	786	126,411	3,975	11,961	32,488	174,835	(36,710)	165,339
Income tax expense	-	(1,110)	(102)	2,069	(894)	(3,618)	-	(2,443)	115	(3,540)
Net income (loss)	\$ 13,819	\$ 11,499	\$ 684	\$ 128,480	\$ 3,081	\$ 8,343	\$ 32,488	\$ 172,392	\$ (36,595)	\$ 161,799
Non-Controlling Interest	-	-	-	96,650	-	-	1,232	97,882	-	97,882
Income attributable to Unitholders	\$ 13,819	\$ 11,499	\$ 684	\$ 31,830	\$ 3,081	\$ 8,343	\$ 31,256	\$ 74,510	\$ (36,595)	\$ 63,917
Add / (Deduct):										
Fair market value losses (gains)	(819)	(3,321)	744	(118,765)	167	(971)	(2,138)	(121,707)	5,741	(119,362)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	89,360	-	-	1,609	90,969	-	90,969
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	3,800	3,800
Revaluation of financial liabilities	-	436	-	-	-	-	-	-	-	436
Unrealized foreign exchange loss (gain)	50	10	-	2,660	5	-	-	2,665	4,293	7,018
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(2,001)	-	-	-	(2,001)	-	(2,001)
Deferred taxes	-	1,040	106	1,149	128	247	-	1,524	-	2,670
Less: Non-controlling interests' share of deferred taxes	-	-	-	(865)	-	-	-	(865)	-	(865)
Non-recurring transaction costs	-	-	-	-	-	132	-	132	11,656	11,788
Net adjustments for equity accounted entities	-	-	-	-	-	-	(34,832)	(34,832)	-	(34,832)
Internal Leasing Costs	358	-	131	-	-	-	-	-	-	489
Other FFO adjustments	144	-	-	-	-	132	1,609	1,741	-	1,885
Funds From Operations ("FFO")⁽²⁾	\$ 13,552	\$ 9,664	\$ 1,665	\$ 3,368	\$ 3,381	\$ 7,883	\$ (2,496)	\$ 12,136	\$ (11,105)	\$ 25,912

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Three months ended June 30, 2017									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 13,552	\$ 9,664	\$ 1,665	\$ 3,368	\$ 3,381	\$ 7,883	\$ (2,496)	\$ 12,136	\$ (11,105)	\$ 25,912
<u>Add / (Deduct):</u>										
Amortization of marked to market adjustment	(779)	-	-	-	-	-	-	-	-	(779)
Amortization of deferred financing charges	184	722	267	91	-	-	-	91	921	2,185
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(68)	-	-	-	(68)	-	(68)
Straight line revenue	(199)	64	-	400	-	-	-	400	-	265
Less: non-controlling interests' share of straight-line revenue	-	-	-	(299)	-	-	-	(299)	-	(299)
Leasing costs and non-recoverable maintenance capital expenditures	(2,063)	(13)	(272)	(913)	-	-	-	(913)	-	(3,261)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	687	-	-	-	687	-	687
DUP Compensation Expense	-	-	-	-	1,060	-	-	1,060	744	1,804
Debt repayment costs	-	-	175	-	-	-	-	-	-	175
Net adjustments for equity accounted entities	-	-	-	-	-	-	(638)	(638)	-	(638)
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 10,695	\$ 10,437	\$ 1,835	\$ 3,266	\$ 4,441	\$ 7,883	\$ (3,134)	\$ 12,456	\$ (9,440)	\$ 25,983

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
As at June 30, 2017										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Assets										
Investment properties	\$ 1,224,620	\$ 645,472	\$ 230,454	\$ 1,306,054	\$ -	\$ -	\$ 1,709	\$ 1,307,763	\$ -	\$ 3,408,309
Investment in associate	-	-	-	-	-	-	507,348	507,348	-	507,348
Intangible Asset	-	-	-	-	47,310	57,723	-	105,033	-	105,033
Goodwill	-	-	-	-	-	-	-	-	41,671	41,671
Financial instruments	-	-	-	3,847	-	-	-	3,847	-	3,847
Assets held for sale	10,525	-	-	-	-	-	-	-	-	10,525
Other assets	10,781	21,124	10,138	9,872	3,920	15,595	(30)	29,357	13,588	84,988
	\$ 1,245,926	\$ 666,596	\$ 240,592	\$ 1,319,773	\$ 51,230	\$ 73,318	\$ 509,027	\$ 1,953,348	\$ 55,259	\$ 4,161,721
Liabilities										
Mortgages and loans payable	\$ 654,409	\$ 137,169	\$ 121,140	\$ 381,383	\$ -	\$ -	\$ -	\$ 381,383	\$ 490,780	\$ 1,784,881
Deferred Consideration	-	6,726	37	-	-	-	-	-	-	6,763
Convertible Debentures	-	-	-	-	-	-	-	-	340,897	340,897
Deferred tax liability	-	73,773	7,634	68,055	268	(100)	-	68,223	-	149,630
Financial instruments	1,661	-	936	11,616	-	-	-	11,616	536	14,749
Liabilities related to assets held for sale	9,256	-	-	-	-	-	-	-	-	9,256
Exchangeable Units	65,321	-	-	-	-	-	-	-	137,578	202,899
Other liabilities	22,287	409	2,097	25,212	6,077	7,461	(4,921)	33,829	34,681	93,303
	\$ 752,934	\$ 218,077	\$ 131,844	\$ 486,266	\$ 6,345	\$ 7,361	\$ (4,921)	\$ 495,051	\$ 1,004,472	\$ 2,602,378
Net assets										
Less: Non-controlling interest	\$ 492,992	\$ 448,519	\$ 108,748	\$ 833,507	\$ 44,885	\$ 65,957	\$ 513,948	\$ 1,458,297	\$ (949,213)	\$ 1,559,343
	-	-	-	(596,680)	-	-	(3,306)	(599,986)	-	(599,986)
Unitholders' Equity	\$ 492,992	\$ 448,519	\$ 108,748	\$ 236,827	\$ 44,885	\$ 65,957	\$ 510,642	\$ 858,311	\$ (949,213)	\$ 959,357
Notes										
(1)	NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"									
(2)	FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.									
(3)	Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.									

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended June 30, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Net Operating Income⁽¹⁾										
Revenue from investment properties	\$ 34,457	\$ 8,313	\$ 3,731	\$ 18,149	\$ -	\$ -	\$ (480)	\$ 17,669	\$ -	\$ 64,170
Property operating costs	(15,153)	-	(1,026)	(1,980)	-	-	45	(1,935)	-	(18,114)
	19,304	8,313	2,705	16,169	-	-	(435)	15,734	-	46,056
Other income										
Share of profit (loss) from associates	-	-	-	-	387	-	(387)	-	-	-
Management fees	-	-	-	-	3,267	-	(3,267)	-	-	-
Interest income	28	908	-	50	1	-	-	51	2	989
	28	908	-	50	3,655	-	(3,654)	51	2	989
	19,332	9,221	2,705	16,219	3,655	-	(4,089)	15,785	2	47,045
Other expenses										
Mortgage and loan interest expense	(7,672)	(1,911)	(471)	(3,353)	-	-	-	(3,353)	(3,846)	(17,253)
General and administrative expenses	(357)	(487)	(624)	(3,668)	(1,255)	-	2,943	(1,980)	(3,030)	(6,478)
Transaction costs	-	-	-	-	-	-	-	-	(1,013)	(1,013)
Other Finance costs	1,596	(3,512)	(87)	(87)	-	-	-	(87)	(14,634)	(16,724)
Foreign exchange gain (loss)	-	(87)	-	1,030	(84)	-	-	946	(1,121)	(262)
Income / (Loss) before the undernoted items	12,899	3,224	1,523	10,141	2,316	-	(1,146)	11,311	(23,642)	5,315
Fair value adjustment of DUP liability	-	-	-	-	(112)	-	-	(112)	(697)	(809)
Fair value adjustment of investment properties	(21,604)	6,956	6,544	45,304	-	-	280	45,584	-	37,480
Net loss on disposal of investment properties	(263)	-	-	-	-	-	-	-	-	(263)
Gain on business combination	-	-	-	-	-	-	-	-	53	53
Gain / (Loss) on derivative financial instruments	(83)	370	(135)	(1,467)	-	-	-	(1,467)	1,151	(164)
Income / (Loss) before taxes	(9,051)	10,550	7,932	53,978	2,204	-	(866)	55,316	(23,135)	41,612
Income tax expense	-	(3,440)	(1,316)	(10,575)	(443)	-	-	(11,018)	-	(15,774)
Net income (loss)	\$ (9,051)	\$ 7,110	\$ 6,616	\$ 43,403	\$ 1,761	\$ -	\$ (866)	\$ 44,298	\$ (23,135)	\$ 25,838
Non-Controlling Interest	-	-	-	32,811	-	-	187	32,998	-	32,998
Income attributable to Unitholders	\$ (9,051)	\$ 7,110	\$ 6,616	\$ 10,592	\$ 1,761	\$ -	\$ (1,053)	\$ 11,300	\$ (23,135)	\$ (7,160)
Add / (Deduct):										
Fair market value losses (gains)	21,687	(7,326)	(6,409)	(43,837)	112	-	(280)	(44,005)	10,188	(25,865)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	33,143	-	-	923	34,066	-	34,066
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	3,800	3,800
Revaluation of financial liabilities	-	2,954	-	-	-	-	-	-	-	2,954
Unrealized foreign exchange loss (gain)	-	146	-	(1,029)	84	-	-	(945)	1,144	345
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	779	-	-	-	779	-	779
Deferred taxes	-	3,383	1,316	9,933	(84)	-	-	9,849	-	14,548
Less: Non-controlling interests' share of deferred taxes	-	-	-	(7,509)	-	-	-	(7,509)	-	(7,509)
Non-recurring transaction costs	-	-	-	-	-	-	-	-	1,013	1,013
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	-	-
Net adjustments for equity accounted entities	-	-	-	-	-	-	-	-	-	-
Internal Leasing Costs	481	-	48	-	-	-	-	-	-	529
Net loss on disposal of investment properties	263	-	-	-	-	-	-	-	-	263
Funds From Operations ("FFO")⁽²⁾	\$ 13,380	\$ 6,267	\$ 1,571	\$ 2,072	\$ 1,873	\$ -	\$ (410)	\$ 3,535	\$ (7,043)	\$ 17,710

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Three months ended June 30, 2016									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 13,380	\$ 6,267	\$ 1,571	\$ 2,072	\$ 1,873	\$ -	\$ (410)	\$ 3,535	\$ (7,043)	\$ 17,710
Add / (Deduct):										
Amortization of marked to market adjustment	(1,638)	-	-	-	-	-	-	-	-	(1,638)
Amortization of deferred financing charges	42	558	87	87	-	-	-	87	192	966
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(66)	-	-	-	(66)	-	(66)
Straight line revenue	(267)	80	-	64	-	-	-	64	-	(123)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(48)	-	-	-	(48)	-	(48)
Leasing costs and non-recoverable maintenance capital expenditures	(2,067)	-	(224)	(145)	-	-	-	(145)	-	(2,436)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	110	-	-	-	110	-	110
DUP Compensation Expense	-	-	-	-	231	-	-	231	1,656	1,887
Debt repayment costs	963	-	-	-	-	-	-	-	-	963
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 10,413	\$ 6,905	\$ 1,434	\$ 2,074	\$ 2,104	\$ -	\$ (410)	\$ 3,768	\$ (5,195)	\$ 17,325
Notes										
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"										
(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may										
(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities, Australasian Secured Financing and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.										

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Six months ended June 30, 2017										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Net Operating Income ⁽¹⁾										
Revenue from investment properties	\$ 68,985	\$ 26,968	\$ 8,768	\$ 41,890	\$ -	\$ -	\$ (1,013)	\$ 40,877	\$ -	\$ 145,598
Property operating costs	(31,023)	-	(2,463)	(5,192)	-	-	105	(5,087)	-	(38,573)
	37,962	26,968	6,305	36,698	-	-	(908)	35,790	-	107,025
Other income										
Share of profit (loss) from associates	-	-	-	-	880	-	42,801	43,681	-	43,681
Management fees	-	-	-	-	15,590	12,939	(21,045)	7,484	-	7,484
Interest income	51	659	2	24	4	4	-	32	174	918
	51	659	2	24	16,474	12,943	21,756	51,197	174	52,083
	38,013	27,627	6,307	36,722	16,474	12,943	20,848	86,987	174	159,108
Other expenses										
Mortgage and loan interest expense	(12,694)	(5,862)	(1,228)	(7,221)	(4)	-	-	(7,225)	(15,612)	(42,621)
General and administrative expenses	(992)	(948)	(1,237)	(13,650)	(4,248)	(1,450)	13,581	(5,767)	(3,406)	(12,350)
Transaction costs	-	-	(68)	-	-	(132)	-	(132)	(11,676)	(11,876)
Other Finance costs	1,238	(2,983)	(352)	(181)	-	-	-	(181)	(27,018)	(29,296)
Foreign exchange gain (loss)	18	(6)	(5)	2,573	(6)	-	-	2,567	(5,580)	(3,006)
Income / (Loss) before the undernoted items	25,583	17,828	3,417	18,243	12,216	11,361	34,429	76,249	(63,118)	59,959
Fair value adjustment of DUP liability	-	-	-	-	(134)	-	-	(134)	(684)	(818)
Fair value adjustment of investment properties	12,049	36,205	(3,815)	145,711	-	-	2,566	148,277	-	192,716
Gain / (Loss) on derivative financial instruments	379	-	381	1,268	-	1,472	-	2,740	118	3,618
Income / (Loss) before taxes	38,011	54,033	(17)	165,222	12,082	12,833	36,995	227,132	(63,684)	255,475
Income tax expense	-	(9,135)	(25)	(3,764)	(2,505)	(3,920)	-	(10,189)	207	(19,142)
Net income (loss)	\$ 38,011	\$ 44,898	\$ (42)	\$ 161,458	\$ 9,577	\$ 8,913	\$ 36,995	\$ 216,943	\$ (63,477)	\$ 236,333
Non-Controlling Interest										
Income attributable to Unitholders	-	-	-	121,450	-	-	1,167	122,617	-	122,617
	\$ 38,011	\$ 44,898	\$ (42)	\$ 40,008	\$ 9,577	\$ 8,913	\$ 35,828	\$ 94,326	\$ (63,477)	\$ 113,716
Add / (Deduct):										
Fair market value losses (gains)	(12,429)	(36,205)	3,434	(146,979)	134	(1,472)	(2,566)	(150,883)	18,749	(177,334)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	110,576	-	-	1,931	112,507	-	112,507
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	7,600	7,600
Revaluation of financial liabilities	-	1,975	-	-	-	-	-	-	-	1,975
Unrealized foreign exchange loss (gain)	(18)	6	5	(2,573)	6	-	-	(2,567)	5,613	3,039
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	1,934	-	-	-	1,934	-	1,934
Deferred taxes	-	8,999	8	4,619	90	388	-	5,097	-	14,104
Less: Non-controlling interests' share of deferred taxes	-	-	-	(3,474)	-	-	-	(3,474)	-	(3,474)
Non-recurring transaction costs	-	-	68	-	-	132	-	132	11,676	11,876
Net adjustments for equity accounted entities	-	-	-	-	-	-	(38,943)	(38,943)	-	(38,943)
Internal Leasing Costs	699	-	255	-	-	-	-	-	-	954
Other FFO adjustments	288	-	-	-	-	263	1,931	2,194	-	2,482
Funds From Operations ("FFO") ⁽²⁾	\$ 26,551	\$ 19,673	\$ 3,728	\$ 4,111	\$ 9,807	\$ 8,224	\$ (1,819)	\$ 20,323	\$ (19,839)	\$ 50,436

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Six months ended June 30, 2017									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 26,551	\$ 19,673	\$ 3,728	\$ 4,111	\$ 9,807	\$ 8,224	\$ (1,819)	\$ 20,323	\$ (19,839)	\$ 50,436
<u>Add / (Deduct):</u>										
Amortization of marked to market adjustment	(1,545)	-	-	-	-	-	-	-	-	(1,545)
Amortization of deferred financing charges	307	1,009	352	181	-	-	-	181	1,235	3,084
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(136)	-	-	-	(136)	-	(136)
Straight line revenue	(430)	124	-	875	-	-	-	875	-	569
Less: non-controlling interests' share of straight-line revenue	-	-	-	(656)	-	-	-	(656)	-	(656)
Leasing costs and non-recoverable maintenance capital expenditures	(4,139)	(51)	(526)	(1,567)	-	-	-	(1,567)	-	(6,283)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	1,179	-	-	-	1,179	-	1,179
DUP Compensation Expense	-	-	-	-	1,489	-	-	1,489	1,504	2,993
Debt repayment costs	-	-	175	-	-	-	-	-	-	175
Net adjustments for equity accounted entities	-	-	-	-	-	-	(750)	(750)	-	(750)
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 20,744	\$ 20,755	\$ 3,729	\$ 3,987	\$ 11,296	\$ 8,224	\$ (2,569)	\$ 20,938	\$ (17,100)	\$ 49,066

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Six months ended June 30, 2016										
Expressed in thousands of Canadian dollars										
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
				Vital Trust	Vital Manager	GHM	Elimination	Total		
Net Operating Income⁽¹⁾										
Revenue from investment properties	\$ 70,449	\$ 15,971	\$ 7,307	\$ 36,320	\$ -	\$ -	\$ (972)	\$ 35,348	\$ -	\$ 129,075
Property operating costs	(32,031)	-	(1,954)	(4,418)	-	-	91	(4,327)	-	(38,312)
	38,418	15,971	5,353	31,902	-	-	(881)	31,021	-	\$ 90,763
Other income										
Share of profit (loss) from associates	-	-	-	-	854	-	(854)	-	-	\$ -
Management fees	-	-	-	-	7,059	-	(7,059)	-	-	\$ -
Interest income	30	1,077	-	67	3	-	-	70	3	\$ 1,180
	30	1,077	-	67	7,916	-	(7,913)	70	3	\$ 1,180
	38,448	17,048	5,353	31,969	7,916	-	(8,794)	31,091	3	\$ 91,943
Other expenses										
Mortgage and loan interest expense	(16,843)	(3,256)	(914)	(6,974)	(18)	-	-	(6,992)	(8,222)	\$ (36,227)
General and administrative expenses	(580)	(848)	(1,384)	(6,917)	(2,497)	-	6,215	(3,199)	(5,793)	\$ (11,804)
Transaction costs	-	-	-	-	-	-	-	-	(3,581)	\$ (3,581)
Other Finance costs	4,077	(6,485)	(163)	(177)	-	-	-	(177)	(34,523)	\$ (37,271)
Foreign exchange gain (loss)	-	(143)	2	660	(28)	-	-	632	1,519	\$ 2,010
Income / (Loss) before the undernoted items	25,102	6,316	2,894	18,561	5,373	-	(2,579)	21,355	(50,597)	\$ 5,070
Fair value adjustment of DUP liability	-	-	-	-	(152)	-	-	(152)	(1,470)	\$ (1,622)
Fair value adjustment of investment properties	(26,512)	16,473	6,394	50,619	-	-	941	51,560	-	\$ 47,915
Net loss on disposal of investment properties	(1,680)	-	-	-	-	-	-	-	-	\$ (1,680)
Gain on business combination	-	-	-	-	-	-	-	-	53	\$ 53
Gain / (Loss) on derivative financial instruments	(765)	745	(534)	(4,489)	-	-	-	(4,489)	1,159	\$ (3,884)
Income / (Loss) before taxes	(3,855)	23,534	8,754	64,691	5,221	-	(1,638)	68,274	(50,855)	\$ 45,852
Income tax expense	-	(6,957)	(1,455)	(11,928)	(860)	-	-	(12,788)	-	\$ (21,200)
Net income (loss)	\$ (3,855)	\$ 16,577	\$ 7,299	\$ 52,763	\$ 4,361	\$ -	\$ (1,638)	\$ 55,486	\$ (50,855)	\$ 24,652
Non-Controlling Interest										
	-	-	-	39,884	-	-	(23)	39,861	-	\$ 39,861
Income attributable to Unitholders	\$ (3,855)	\$ 16,577	\$ 7,299	\$ 12,879	\$ 4,361	\$ -	\$ (1,615)	\$ 15,625	\$ (50,855)	\$ (15,209)
Add / (Deduct):										
Fair market value losses (gains)	27,277	(17,218)	(5,860)	(46,130)	152	-	(941)	(46,919)	26,762	(15,958)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	34,876	-	-	1,421	36,297	-	36,297
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	7,600	7,600
Revaluation of financial liabilities	-	5,427	-	-	-	-	-	-	-	5,427
Unrealized foreign exchange loss (gain)	-	202	(2)	(659)	28	-	-	(631)	(1,511)	(1,942)
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	499	-	-	-	499	-	499
Deferred taxes	-	6,810	1,430	10,175	251	-	-	10,426	-	18,666
Less: Non-controlling interests' share of deferred taxes	-	-	-	(7,693)	-	-	-	(7,693)	-	(7,693)
Non-recurring transaction costs	-	-	-	-	-	-	-	-	3,581	3,581
Internal Leasing Costs	822	-	96	-	-	-	-	-	-	918
Net loss on disposal of investment properties	1,680	-	-	-	-	-	-	-	-	1,680
Gain on business combination	-	-	-	-	-	-	-	-	(53)	(53)
Funds From Operations ("FFO")⁽²⁾	\$ 25,924	\$ 11,798	\$ 2,963	\$ 3,947	\$ 4,792	\$ -	\$ (1,135)	\$ 7,604	\$ (14,476)	\$ 33,813

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited	Six months ended June 30, 2016									
	Expressed in thousands of Canadian dollars									
	Canada	Brazil	Germany	Australia/New Zealand				Corporate ⁽³⁾	Consolidated	
			Vital Trust	Vital Manager	GHM	Elimination	Total			
Funds From Operations ("FFO")⁽²⁾	\$ 25,924	\$ 11,798	\$ 2,963	\$ 3,947	\$ 4,792	\$ -	\$ (1,135)	\$ 7,604	\$ (14,476)	\$ 33,813
Add / (Deduct):										
Amortization of marked to market adjustment	(4,190)	-	-	-	-	-	-	-	-	(4,190)
Amortization of deferred financing charges	113	1,058	163	177	-	-	-	177	472	1,983
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(134)	-	-	-	(134)	-	(134)
Straight line revenue	(578)	36	-	254	-	-	-	254	-	(288)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(192)	-	-	-	(192)	-	(192)
Leasing costs and non-recoverable maintenance capital expenditures	(4,227)	-	(439)	(145)	-	-	-	(145)	-	(4,811)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	110	-	-	-	110	-	110
DUP Compensation Expense	-	-	-	-	455	-	-	455	3,293	3,748
Debt repayment costs	2,960	-	-	-	-	-	-	-	-	2,960
Adjusted Funds From Operations ("AFFO")⁽²⁾	\$ 20,002	\$ 12,892	\$ 2,687	\$ 4,017	\$ 5,247	\$ -	\$ (1,135)	\$ 8,129	\$ (10,711)	\$ 32,999

Notes

(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"

(2) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(3) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, Vital Margin Facilities and distributions paid on Class B LP Units, treated as finance costs. Includes general and administrative costs of the REIT's head office.

PART XIII – NORMALIZED AFFO

In the schedule below we present the REIT's reported AFFO as well as the REIT's Normalized AFFO (both defined in **PART I - BASIS OF PRESENTATION - PERFORMANCE MEASUREMENT**). Normalized AFFO provides, in management's view, an annualized view of the REIT's AFFO, adjusted for the full year effect of transactions occurring in the current quarter, transactions that have occurred subsequent to the quarter, and adjusted for other items management believes are non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity.

The below Normalized AFFO information is not necessarily indicative of what the REIT's financial position or results of operations will be in future periods. Certain of the adjustments in the table above may be considered to be forward-looking in nature, including, without limitation, the estimated impact of increased revenues due to accrued indexation on Brazil leases, increased management fees expected to be earned by the Vital Manager, the estimated annual AFFO of Generation Healthcare Management and Generation Healthcare REIT investments, and items relating to expected amounts for normalized revenues and general and administrative expenses. As a result, the discussion in this section is qualified in its entirety by the forward-looking statements set out under **PART I - BASIS OF PRESENTATION - FORWARD-LOOKING INFORMATION ADVISORY**.

Expressed in thousands of Canadian dollars, except per unit amounts				
	Q2 2017	Q2 2017 Per Unit	Q2 2017 Annualized	Annualized Per Unit
AFFO as reported	\$ 25,983	\$ 0.25	\$103,932	\$0.98
Normalization adjustments ⁽¹⁾ :				
(2) Accrued indexation related to Brazil leases			816	
(3) Incentive fee normalization			2,649	
(4) Vital manager fee			288	
(5) Normalization of G&A expenses			2,350	
(6) Lease Termination income			(1,228)	
(7) Interest expenses on debt raised during and post quarter			(14,797)	
(8) Change in GHC ownership			8,175	
Normalized AFFO on an annualized basis			<u>\$ 102,185</u>	<u>\$ 0.96</u>
Weighted average units outstanding for the Q2 2017 period (000s)				106,016
Normalization adjustment				486
Normalized Units Outstanding (000s) - June 30, 2017				106,502
Notes				
(1)	Represents the full year effect of items recognized in the quarter that are seasonal; the full year effect of transactions that have closed during the quarter; and the full year effect of transactions that have closed or are under contract; all that will have an impact on future quarters			
(2)	Estimated impact of increased revenues due to accrued indexation of Brazil leases based on the actual YTD inflation rate			
(3)	Adjustment for the after-tax impact of normalizing expected incentive fees payable from Vital Trust			
(4)	Estimated increase in Vital Manager's management fees, assessed on total AUM, due to additions or fair value gains plus estimated management fees on GHC assets			
(5)	The estimated impact of recognizing certain annual general and administrative expense items, recognized in the quarter, over a normalized 12 month period			
(6)	To adjust for the full year impact of the non-recurring lease termination income in the quarter			
(7)	Adjustment to reflect the full year impact of completed and committed financing activities			
(8)	To reflect the 100% acquisition of GHC units completed on July 14, 2017. During Q2 NWH equity accounted for its investment in GHC and had an average ownership of ~45%.			

PART XIV – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		<u>Q2 2017</u>
Total Assets		\$4,161,721
less Total Liabilities		(2,602,378)
less Non-controlling interest		(599,986)
Unitholders' equity		959,357
Add/(deduct):		
Deferred unit plan liability		17,757
Deferred tax liability	149,630	
less NCI	<u>(51,195)</u>	98,435
Financial instruments - net	10,902	
less NCI	<u>(5,844)</u>	5,058
Exchangeable Units		202,899
Vital Manager valuation adjustment		13,500
Other		2,437
Net Asset Value ("NAV")		\$ 1,299,443
Adjusted Units Outstanding (000s)- period end ⁽¹⁾		<u>106,502</u>
NAV per Unit		\$ 12.20
Notes		
(1) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic per unit measure that includes the Class B LP Units in basic units outstanding/weighted average units outstanding.		

CORPORATE INFORMATION

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Stock Exchange Listing

Toronto Stock Exchange (TSX)
Listing symbols:

REIT Trust Units - NWH.UN
5.25% convertible debentures - NWH.DB
6.50% convertible debentures - NWH.DB.A
7.50% convertible debentures - NWH.DB.B
7.25% convertible debentures - NWH.DB.C
5.50% convertible debentures - NWH.DB.D
5.25% convertible debentures NWH.DB.E
5.25% convertible debentures NWH.DB.F

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan may elect to have all cash distributions of the REIT automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the trading price for the Trust Units on the TSX for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Trust Units equal to 3% of each distribution that was reinvested by them. To enroll individuals should contact their broker.