

11 November 2016

The Manager  
 Company Announcements Office  
 ASX Limited  
 Level 4, Exchange Centre  
 20 Bridge Street  
 Sydney NSW 2000

## **Generation Healthcare REIT (ASX Code: GHC)**

### **30 September 2016 Quarter update**

Generation Healthcare REIT ("GHC") is pleased to provide the following unaudited update for the 3-month period ended 30 September 2016.

GHC has initiated quarterly updates following Northwest Healthcare Properties REIT's (TSX: NWH.UN, "NWR") investment in GHC and acquisition of the Manager of GHC (Generation Healthcare Management Pty Ltd) as announced on 27 June 2016. NWR recognises its interest in GHC as an equity accounted investment and reports this information on a quarterly basis to the Toronto Stock Exchange.

Commenting on the September quarter, Miles Wentworth, GHC's Chief Executive Officer, said "GHC's performance is tracking in line with our expectations.

Good progress on the Casey Private Hospital and Frankston Private Hospital projects continued during the quarter and we have now commenced the design process for the Albert and Grey Street projects (in joint venture with Epworth) following the planning permit being issued in August 2016.

We are also very pleased to have added to the Fund's organic growth pipeline following the recently announced Epping Medical Centre transaction. This provides an exciting opportunity to create a major integrated health campus for Melbourne's Northern suburbs over time."

### **Key portfolio metrics**

	<b>30 Sept 2016</b>	<b>30 June 2016</b>
Portfolio Value (including deposits on Investment Properties)	\$494.3 million	\$481.9 million
Weighted Average Lease Term to Expiry (WALTE) <sup>1</sup>	12.2 years	12.2 years
Occupancy <sup>1</sup>	98.7%	98.6%

<sup>1</sup> By income.

## Underlying net operating income

	Unaudited 3 months to 30 Sept 2016 \$'000	Unaudited 3 months to 30 Sept 2015 \$'000
<b>Net profit attributable to unitholders of the parent</b>	<b>4,725</b>	<b>4,050</b>
Adjusted for:		
- Straight line lease revenue recognition	(462)	(390)
- Net (gain)/loss on change in fair value of:		
- Investment properties	642	660
- Derivatives	469	2,098
- Derivatives included in share of net profit of equity accounted investments	-	106
- Lease surrender and new tenant incentives associated with change of significant tenant	162	(1,213)
- Gains arising on additional investment in the Divine Logistics Trust	(35)	-
- Non-controlling interest attributable to the above adjustments	(97)	-
- Other	14	14
<b>Underlying net operating income</b>	<b>5,418</b>	<b>5,325</b>
<b>Underlying net operating income per unit</b>	<b>2.47 cents</b>	<b>2.51 cents</b>

## Consolidated statement of profit or loss and other comprehensive income

	Unaudited 3 months to 30 Sept 2016 \$'000	Unaudited 3 months to 30 Sept 2015 \$'000
<b>Revenue</b>		
Rental income	8,484	8,090
Other property income	1,024	756
Interest	900	1,582
	<b>10,408</b>	<b>10,428</b>
<b>Other income</b>		
Net change in the fair value of investment properties and deposits	(642)	(660)
Net change in the fair value of derivatives	(469)	(2,098)
Gains arising on additional investment in the Divine Logistics Trust	35	-
	<b>(1,076)</b>	<b>(2,758)</b>
<b>Total income</b>	<b>9,332</b>	<b>7,670</b>
<b>Expenses</b>		
Property expenses	(1,593)	(1,487)
Finance costs	(1,882)	(1,700)
Responsible Entity's fund management fee	(699)	(608)
Other expenses	(136)	(127)
<b>Total expenses</b>	<b>(4,310)</b>	<b>(3,922)</b>
Share of net profit of equity accounted investment	-	302
<b>Total net profit</b>	<b>5,022</b>	<b>4,050</b>
<b>Other comprehensive income</b>		
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>5,022</b>	<b>4,050</b>
Net profit / total comprehensive income attributable to non-controlling interests	(297)	-
<b>Net profit / comprehensive income attributable to unitholders of the Fund</b>	<b>4,725</b>	<b>4,050</b>
Basic and diluted earnings per unit	<b>2.16 cents</b>	<b>1.91 cents</b>

## Consolidated statement of financial position

	Unaudited 30 Sept 2016 \$'000	Audited 30 Jun 2016 \$'000
<b>Current assets</b>		
Cash and cash equivalents	2,827	2,610
Trade and other receivables	3,513	3,267
	<b>6,340</b>	<b>5,877</b>
<b>Non-current assets</b>		
Trade and other receivables	20,632	20,497
Loans carried at amortised cost	7,717	7,430
Investment properties	480,013	467,624
Deposits on investment properties	14,300	14,300
	<b>522,662</b>	<b>509,851</b>
<b>Total assets</b>	<b>529,002</b>	<b>515,728</b>
<b>Current liabilities</b>		
Trade and other payables	9,074	11,626
Borrowings	49,301	398
Derivatives	3,532	3,292
Distribution payable	-	9,646
	<b>61,907</b>	<b>24,962</b>
<b>Non-current liabilities</b>		
Trade and other payables	3,264	3,164
Borrowings	113,246	146,299
Derivatives	12,174	11,945
	<b>128,684</b>	<b>161,408</b>
<b>Total liabilities</b>	<b>190,591</b>	<b>186,370</b>
<b>Net assets</b>	<b>338,411</b>	<b>329,358</b>
<b>Equity attributable to unitholders</b>		
Issued units	243,739	241,578
Retained earnings	64,443	59,718
<b>Equity attributable to unitholders of the parent</b>	<b>308,182</b>	<b>301,296</b>
Non-controlling interests	30,229	28,062
<b>Total equity</b>	<b>338,411</b>	<b>329,358</b>
<b>Net tangible assets per unit attributable to unitholders<sup>2</sup></b>	<b>\$1.40</b>	<b>\$1.38</b>

<sup>2</sup> Net tangible assets per unit adjusted to exclude the amount attributable to non-controlling interests.

### Investment Property (including deposits on Investment Properties)<sup>3</sup>

	Unaudited 30 Sept 2016 \$'000
<b>Opening balance – 30 June 2016<sup>4</sup></b>	<b>481,924</b>
Additions to existing investment properties	530
Expenditure on properties under construction	12,274
Amortisation of tenant incentives	(235)
Straight line lease revenue recognition	462
Change in fair value – unrealised	(642)
<b>Closing balance – 30 September 2016</b>	<b>494,313</b>

<sup>3</sup> Investment Property is carried at its 30 June 2016 fair value, adjusted for capital expenditure incurred, acquisition of new property and/or divestment of existing property, unless otherwise identified. Accounting adjustments arising from tenant incentives / lease revenue recognition have been reversed and are presented as 'Change in fair value – unrealised'.

<sup>4</sup> GHC's 30 June 2016 Annual Report provides further information on the valuation methodology and process used in respect of Investment Property as at 30 June 2016. For the avoidance of doubt, valuations have not been obtained, nor performed by the Responsible Entity during the 3 month period ended 30 September 2016, in accordance with the Responsible Entity's usual practice and GHC's valuation policy.

### Development Projects

Project	Description	Total Forecast Project Cost \$'000	Spend 3 months to 30 Sept 2016 \$'000	Total project expenditure to 30 Sept 2016 \$'000	Forecast completion date
Frankston Private Expansion	Major expansion including inpatient beds, additional theatres & car parking pre-committed to by Healthscope Ltd.	45,400 <sup>5</sup>	6,590	19,831	End of 2017 Financial Year
Casey Private Hospital	18,000 sqm private hospital in partnership with St John of God Health Care (tenant and joint landlord).	44,500 <sup>6</sup>	5,684	15,590 <sup>7</sup>	End of 2018 Financial Half Year
		<b>89,900</b>	<b>12,274</b>	<b>35,421</b>	

<sup>5</sup> Represents 100% of the Total Forecast Project Cost. GHC's underlying share of this project is 65% and is recognised via its partly owned and consolidated subsidiary, Divine Logistics Trust.

<sup>6</sup> Represents GHC's share (i.e. 50% base build, 90% car park) of the Total Forecast Casey Private Hospital Project Cost of \$114.0 million.

<sup>7</sup> Includes \$2.83 million of expenditure and holding costs incurred by GHC associated with progressing stage's 2 and 3 of the Casey Private Hospital project that is currently excluded from the Total Forecast Project Costs upon which the agreed rate of return will be derived.

### Recent announcements

- On 26 October 2016, GHC announced an investment of \$28.625 million in the Epping Medical Centre, a 10,042 sqm specialist medical facility located approximately 400 metres from Northern Public Hospital. Initially structured as senior and subordinated loans, this investment will result in GHC acquiring a 50% interest in the Epping Medical Centre for \$17.50 million.

**ENDS**

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#### **About Generation Healthcare REIT**

Generation Healthcare REIT (ASX code: GHC), is Australia's only ASX listed healthcare real estate investment entity.

The Fund owns interests in 19 properties including hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities. The Fund partners with high quality healthcare tenants with strongly diversified income streams. The Fund has total assets of approximately \$558 million with investments located in Victoria, New South Wales and Queensland.

[www.generationreit.com.au](http://www.generationreit.com.au)

#### **About APN Funds Management Limited**

APN Funds Management Limited (APNFM) is the Responsible Entity of Generation Healthcare REIT. The Board of APNFM consists of four directors, three of which, including the Chairman are Independent Directors. APNFM is a wholly owned subsidiary of APN Property Group Limited (APN) (ASX code: APD), a specialist real estate investment manager.

[www.apngroup.com.au](http://www.apngroup.com.au)

#### **About Generation Healthcare Management Pty Limited**

Generation Healthcare REIT ("Generation", the "Fund") (ASX: GHC) benefits from the experience, proven track record, healthcare focus and global platform of its manager, Generation Healthcare Management Pty Ltd, a wholly-owned subsidiary of NorthWest Healthcare Properties REIT ("NWH REIT", the "REIT") (TSX: NWH.UN), a Canadian listed dedicated healthcare real estate investor. The REIT is also strategically aligned as the largest unitholder of GHC.

NWH REIT is a TSX listed real estate investment trust focused on providing investors with access to a portfolio of high quality international healthcare real estate infrastructure comprised of interests in a diversified portfolio of 139 income-producing properties and 864,000 square metres of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia and New Zealand. In Canada, the REIT is the largest non-government owner and manager of medical office buildings and healthcare facilities with 62 properties located from coast to coast, including major concentrations in Calgary, Edmonton, Toronto, Montreal, Quebec City and Halifax. In its international markets of Australia, Brazil, Germany and New Zealand, the REIT partners with leading healthcare operators and has built leading management platforms in global gateway cities comprised of high quality healthcare real estate infrastructure assets characterised by long term indexed leases and stable occupancies.

NWH REIT is an expert in owning, managing and developing healthcare real estate with a dedicated and growing team of more than 180 professionals located in Auckland, Berlin, Melbourne, Sao Paulo and Toronto.

[www.nwhreit.com](http://www.nwhreit.com)