

**Northwest Healthcare
Properties Real Estate
Investment Trust**
Condensed Consolidated
Interim Financial Statements
(in Canadian dollars)

For the three and nine months
ended September 30, 2021
(unaudited)



NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Condensed Consolidated Interim Balance Sheets**

(in thousands of Canadian dollars)

Unaudited

As at	Note	September 30, 2021	December 31, 2020
Assets			
Investment properties	6	\$ 5,840,455	\$ 5,262,063
Equity accounted investments	7	323,554	297,993
Intangible assets		47,273	47,309
Goodwill		41,671	41,671
Financial instruments	8	21,395	541
Other assets	9	220,638	41,862
Accounts receivable		45,853	9,652
Assets held for sale	3,5	27,783	—
Cash and cash equivalents	17	105,775	144,147
Total assets		\$ 6,674,397	\$ 5,845,238
Liabilities			
Mortgages and loans payable	10	\$ 2,694,447	\$ 2,495,413
Convertible debentures	11	214,704	292,821
Deferred unit plan liability	12	28,473	24,277
Class B exchangeable units	13	22,076	21,546
Deferred tax liability		338,107	287,820
Financial instruments	8	49,711	62,405
Income tax payable		9,888	21,216
Accounts payable and accrued liabilities	18	101,760	92,340
Distributions payable		14,527	11,732
Liabilities related to assets held for sale	5	5,488	—
Total liabilities		\$ 3,479,181	\$ 3,309,570
Unitholders' Equity			
Unitholders' equity	14	2,230,473	1,638,419
Non-controlling interests	15	964,743	897,249
Total liabilities and unitholders' equity		\$ 6,674,397	\$ 5,845,238

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)
Unaudited

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Net Property Operating Income					
Revenue from investment properties	16	\$ 95,554	\$ 95,086	\$ 278,245	280,973
Property operating costs		20,860	22,847	63,161	66,186
		74,694	72,239	215,084	214,787
Other Income					
Interest and other	9	1,773	513	3,529	1,645
Development revenue	5	2,577	—	5,742	—
Management fees		4,097	3,656	13,149	7,425
Share of profit (loss) of equity accounted investments	7	8,066	5,642	55,553	17,260
		16,513	9,811	77,973	26,330
Expenses and other					
Mortgage and loan interest expense		22,404	25,205	68,162	73,855
General and administrative expenses		8,381	7,080	29,777	21,923
Transaction costs		16,899	4,451	30,332	31,624
Development costs	5	2,775	—	5,004	—
Foreign exchange (gain) loss		4,628	382	(9,019)	13,636
		55,087	37,118	124,256	141,038
Income before finance costs, fair value adjustments, and net gain (loss) on financial instruments		36,120	44,932	168,801	100,079
Finance costs					
Amortization of financing costs	10	(1,314)	(2,991)	(10,054)	(6,872)
Amortization of mark-to-market adjustment	10	105	252	314	760
Class B exchangeable unit distributions	13	(342)	(342)	(1,026)	(3,159)
Fair value adjustment of Class B exchangeable units	13	(308)	(958)	(530)	85,444
Accretion of financial liabilities	10	(2,445)	(759)	(7,431)	(3,321)
Fair value adjustment of convertible debentures	11	(516)	(5,368)	949	8,474
Net gain (loss) on financial instruments	8	(1,577)	(3,879)	12,973	(18,715)
Fair value adjustment of investment properties	6	152,672	8,209	323,321	(4,931)
Fair value adjustment of deferred unit plan liability	12	(62)	(1,386)	(612)	700
Income before taxes from continuing operations		182,333	37,710	486,705	158,459
Current tax expense					
Current tax expense		4,378	7,057	10,570	12,310
Deferred tax expense (recovery)					
Deferred tax expense (recovery)		30,320	4,097	71,658	(35,016)
Income tax expense (recovery)					
Income tax expense (recovery)		34,698	11,154	82,228	(22,706)
Net income from continuing operations		\$ 147,635	\$ 26,556	\$ 404,477	\$ 181,165
Net income (loss) from discontinued operations					
Net income (loss) from discontinued operations	3	25,658	—	25,658	—
Total net income		\$ 173,293	\$ 26,556	\$ 430,135	\$ 181,165
Net income attributable to:					
Unitholders		\$ 161,380	\$ 19,913	\$ 295,427	\$ 170,592
Non-controlling interests		11,913	6,643	134,708	10,573
		\$ 173,293	\$ 26,556	\$ 430,135	\$ 181,165

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)**

(in thousands of Canadian dollars)

Unaudited

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 173,293	\$ 26,556	\$ 430,135	\$ 181,165
Other comprehensive income (loss) ("OCI"):				
Items that have been or may be reclassified subsequently to income (loss):				
Foreign currency translation adjustments	\$ (39,150)	\$ 5,943	\$ (148,522)	\$ (45,237)
Change in relative interest of non-controlling interests	—	224	—	224
Realized foreign exchange gains/(losses) on hedges	10	—	42,418	—
Fair value gain (loss) on net investment hedges	10	(1,274)	(42,318)	(4,211)
Deferred taxation (expense)/recovery	2	356	6,477	1,179
Current taxation (expense)/recovery	—	—	(6,298)	—
Other comprehensive income (loss), net of tax	(39,148)	5,249	(148,243)	(48,045)
Total comprehensive income (loss) for the period	\$ 134,145	\$ 31,805	\$ 281,892	\$ 133,120
Total comprehensive income (loss) attributable to:				
Unitholders	\$ 128,461	\$ 14,253	\$ 201,879	\$ 94,910
Non-controlling interests	5,684	17,552	80,013	38,210
	\$ 134,145	\$ 31,805	\$ 281,892	\$ 133,120

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Unitholders' Equity
(in thousands of Canadian dollars)
Unaudited

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 15)	Total Equity
Balance, December 31, 2020		\$ 1,694,810	\$ 39,724	\$ (503,156)	\$ (181,456)	\$ 588,497	\$ 1,638,419	\$ 897,249	\$ 2,535,668
Public offering of units		397,799	—	—	—	—	397,799	1,883	399,682
Private placement of units	14, 18	30,011	—	—	—	—	30,011	—	30,011
Units issued through distribution reinvestment plan		18,960	—	—	—	—	18,960	5,916	24,876
Units issued on exercise of deferred units	14	1,708	—	—	—	—	1,708	—	1,708
Conversion of convertible debentures into units	14	63,333	—	—	—	—	63,333	—	63,333
Acquisition of control of subsidiary	3, 4	—	—	—	—	—	—	2,796	2,796
Distributions		—	—	(121,636)	—	—	(121,636)	(23,113)	(144,749)
Foreign currency translation adjustments		—	—	—	(93,620)	—	(93,620)	(54,902)	(148,522)
Other comprehensive income (loss), excluding translation adjustments		—	—	—	72	—	72	206	278
Net income		—	—	—	—	295,427	295,427	134,708	430,135
Balance, September 30, 2021		\$ 2,206,621	\$ 39,724	\$ (624,792)	\$ (275,004)	\$ 883,924	\$ 2,230,473	\$ 964,743	\$ 3,195,216

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 15)	Total Equity
Balance, December 31, 2019		\$ 1,510,245	\$ 39,724	\$ (364,595)	\$ (140,209)	\$ 274,142	\$ 1,319,307	\$ 756,812	\$ 2,076,119
Public offering of units		24,494	—	—	—	—	24,494	—	24,494
Units issued through distribution reinvestment plan		5,620	—	—	—	—	5,620	3,960	9,580
Units issued on exercise of deferred units	14	840	—	—	—	—	840	—	840
Cancellation of REIT units under normal course issuer bid		(7,196)	—	—	—	—	(7,196)	—	(7,196)
Disposition of investment in subsidiary		—	—	—	—	—	—	(54,705)	(54,705)
Conversion of Class B LP exchangeable units	13	106,387	—	—	—	—	106,387	—	106,387
Conversion of convertible debenture into units	14	51,483	—	—	—	—	51,483	—	51,483
Change in relative interest of non-controlling interests		—	—	—	(224)	—	(224)	(1,461)	(1,685)
Distributions		—	—	(103,383)	—	—	(103,383)	(20,322)	(123,705)
Foreign currency translation adjustments		—	—	—	(75,147)	—	(75,147)	29,910	(45,237)
Other comprehensive income (loss), excluding translation adjustments		—	—	—	(758)	—	(758)	(2,274)	(3,032)
Net income (loss)		—	—	—	—	170,592	170,592	10,573	181,165
Balance, September 30, 2020		\$ 1,691,873	\$ 39,724	\$ (467,978)	\$ (216,338)	\$ 444,734	\$ 1,492,015	\$ 722,493	\$ 2,214,508

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)
Unaudited

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2021	2020	2021	2020
Cash provided by (used in):					
Operating activities					
Net income (loss) from continuing operations	\$	147,635	\$ 26,556	\$ 404,477	\$ 181,165
Adjustments for:					
Income tax expense		34,698	11,154	82,228	(22,706)
Income taxes paid		(14,032)	(6,848)	(23,272)	(13,491)
Amortization of other assets		266	398	994	1,197
Mortgage and loan interest accrued		22,404	25,205	68,162	73,855
Mortgage and loans interest paid		(16,383)	(22,372)	(64,586)	(72,057)
Finance costs	17	4,820	10,166	17,778	(81,326)
Interest income		(1,773)	(513)	(3,529)	(1,645)
Share of (profit)/loss of equity accounted investments	7	(8,066)	(5,642)	(55,553)	(17,260)
Unrealized foreign exchange loss (gain)		4,430	2,422	(12,013)	15,690
Amortization of finance leases receivable/payable, net		—	(23)	—	(67)
Fair value adjustment of investment properties	6	(152,672)	(8,209)	(323,321)	4,931
Fair value loss (gain) on financial instruments	8	1,577	3,879	(12,973)	18,715
Transaction costs		16,899	4,451	30,332	31,624
Fair value adjustment of deferred unit plan liability		62	1,386	612	(700)
Unit-based compensation expense	12	2,168	1,271	7,209	6,311
Redemption of units issued under deferred unit plan		(664)	(404)	(1,860)	(1,867)
Changes in non-cash working capital balances	17	(17,105)	11,778	(18,592)	23,712
Cash provided by (used in) operating activities		24,264	54,655	96,093	146,081
Investing activities					
Acquisitions of investment properties	4	(33,102)	(476,586)	(377,518)	(722,612)
Additions to investment properties	6	(22,405)	(61,761)	(101,064)	(129,915)
Net proceeds on disposal of investment properties	5	—	—	44,908	103,537
Investment in equity accounted investments	7	(2,174)	—	(9,317)	(10,340)
Investment in financial asset	9	(49,919)	—	(160,191)	—
Net investment in financial instruments	8	—	—	(18,495)	—
Transaction costs attributable to investment activities		(27,234)	(15,528)	(57,247)	(42,701)
(Acquisitions) and dispositions of subsidiaries, net of cash transferred	3	(33,336)	(4,877)	(35,053)	58,986
Distributions from equity accounted investments	7	3,250	2,505	16,758	7,765
Cash interest received		322	503	905	1,320
Additions to furniture and fixtures		(137)	(60)	(255)	(154)
Receipts (payments) from foreign exchange contracts		297	(102)	299	12
Net decrease (increase) to restricted cash		1	(10)	—	(11)
Cash provided by (used in) investing activities		(164,437)	(555,916)	(696,270)	(734,113)
Financing activities					
Mortgage and loan proceeds	10	218,528	580,057	1,030,799	1,153,160
Repayment of mortgages	10	(10,288)	(101,831)	(748,850)	(530,727)
Repurchase of units under normal course issuer bid	14	—	—	—	(7,196)
Redemption of convertible debentures	11	—	—	(13,835)	(44,568)
Proceeds from issuance of units, net of issuance costs	14	24,872	—	429,693	24,494
Financing fees paid		162	(9,542)	(16,443)	(11,708)
Distributions paid		(36,216)	(35,148)	(99,881)	(96,292)
Class B exchangeable units distributions paid	13	(342)	(342)	(1,026)	(3,159)
Distributions paid to non-controlling interests		(5,417)	(5,066)	(17,102)	(16,318)
Cash provided by (used in) financing activities		191,299	428,128	563,355	467,686
Net change in cash and cash equivalents		51,126	(73,133)	(36,822)	(120,346)
Effect of foreign currency translation		(1,663)	(8,052)	(1,550)	(6,955)
Net change in cash and cash equivalents		49,463	(81,185)	(38,372)	(127,301)
Cash and cash equivalents, beginning of period		56,271	146,034	144,106	192,150
Cash and cash equivalents, end of period	\$	105,734	\$ 64,849	105,734	\$ 64,849

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 180 Dundas Street West, Suite 1100, Toronto, Ontario, M5G 1Z8. The principal business of the REIT is to invest in and manage healthcare real estate globally.

1. Basis of Preparation and Statement of Compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board. Certain information and note disclosure included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted in these condensed consolidated interim financial statements. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2020. These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on November 11, 2021.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and financial assets and liabilities including financial instruments, convertible debentures, derivative financial instruments, Class B exchangeable units and deferred units under the deferred unit plan ("DUP"), which are measured at fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except per unit amounts which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2020 with the exception of accounting policies implemented in 2021. Changes to significant accounting policies are described below.

Discontinued Operations

A discontinued operation is a component of the REIT's business, whereby the operations and cash flows of which can be clearly distinguished from the rest of the REIT and which:

- represents a major line of business or geographic area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

The REIT elected to include the disclosures as per IFRS 5, consistent with the assessment that the Aspen Group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

COVID-19 Pandemic

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" in early 2020 was declared a pandemic by the World Health Organization. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. It is not possible to forecast with certainty the duration and full scope of the economic impact of the pandemic and other consequential changes to the REIT's business and operations, both in the short term and in the long term.

In the preparation of these unaudited condensed consolidated interim financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of September 30, 2021. Actual results could differ from those estimates. The estimates and assumptions that the REIT considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the estimate of any expected credit losses on its accounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

3. Aspen Group Business Combination and Discontinued Operations

On August 6, 2021, the REIT completed the acquisition of 100% of NWI Apex UK Limited (formerly NMC Healthcare UK Limited) ("Aspen Group") for approximately \$38.8 million. The REIT obtained control over the operations of eight hospitals located throughout the UK and two investment properties valued at \$41.3 million.

The REIT determined that it had obtained control of the Aspen Group as defined under IFRS 10 - Consolidated Financial Statements. The REIT also determined that the Aspen Group meets the definition of a business in accordance with IFRS 3 - Business Combinations and accordingly accounted for the acquisition as a business combination. Upon applying acquisition accounting, the REIT recognized a bargain purchase gain of \$21.3 million. The REIT re-assessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviewed the procedures used to measure the amounts to be recognized at the acquisition date. The reassessment resulted in an excess of the fair value of net assets acquired over the aggregate consideration transferred. The REIT purchased the Aspen Group through receivership at a discounted price as compared to its estimated fair market value, resulting in a bargain purchase gain.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

The acquisition accounting is summarized as follows:

Investment properties	\$	41,299
Property, plant and equipment		17,928
Cash		16,238
Working capital		6,745
Right of use assets		5,353
Deferred tax assets		586
Loan payable		(13,038)
Current tax payable		(833)
Right of use liabilities		(5,353)
Finance lease		(374)
Net hospital operations assets and investment properties acquired	\$	68,551
Fair value of non-controlling interests		(8,446)
Net assets acquired	\$	60,105
<u>Purchase Consideration</u>		
Cash paid	\$	38,781
Bargain purchase gain	\$	21,324
Net assets acquired classified as held for sale	\$	12,313
Net assets attributable to continuing operations		47,792
Net assets acquired	\$	60,105

Assets held for sale and discontinued operations

The Aspen Group's hospital operations were acquired exclusively with a view of subsequent disposal. The eight hospital operators acquired met the definition of a disposal group and the requirements for presentation as discontinued operations. The REIT did not have a hospital operations segment prior to the transaction. Therefore, as at August 6, 2021, the Aspen Group was consolidated and subsequently all assets and liabilities relating to the eight hospital operators acquired were reclassified as assets and associated liabilities held for sale. The bargain purchase gain on acquisition and the hospital operating results have been presented as income from discontinued operations.

The REIT expensed \$8.5 million of transaction costs relating to the acquisition under strategic transaction costs in the statement of profit and loss.

Subsequent disposition

By September 30, 2021, six of the eight hospital operations had been sold for proceeds of \$37.2 million. Consideration received consisted of cash of \$20.1 million and investment property with an estimated fair value of \$17.1 million which resulted in a gain on disposition of \$11.2 million, reduced by transaction costs of \$6.5 million, which have been presented as part of net income from discontinued operations. Five of the six hospital operators sold will remain as tenants in respect of the investment property owned by the REIT.

The accompanying notes are an integral part of these consolidated financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

4. Investment Property Acquisitions

During the nine months ended September 30, 2021, the following investment property acquisitions were completed:

Region	Acquisition Cost ⁽ⁱ⁾		Property specific debt	
Europe ⁽ⁱⁱ⁾	\$	275,484	\$	100,685
Canada		15,588		10,000
Australasia		140,844		—
Total	\$	431,916	\$	110,685

- i. Total acquisition costs includes transaction costs totaling \$23.3 million incurred with respect to acquiring the investment property assets.
- ii. Included in Europe acquisitions are \$44.0 million and \$17.9 million of investment properties acquired in the UK, including capitalized transaction costs related to acquiring stake from minority interest holders (note 3).

5. Investment Property Dispositions

During the nine months ended September 30, 2021, the REIT disposed of the following investment properties:

Region	Gross Proceeds		Property specific debt settled or sold	
Europe ⁽ⁱ⁾	\$	25,789	\$	—
Canada		19,119		2,071
	\$	44,908	\$	2,071

- i. In Q1 2021, the REIT disposed of four investment properties in the Netherlands in the amount of \$23.5 million to the European JV (note 6), a related party, including two properties under development. The sale and purchase agreement for the two development properties consisted of two parts; the sale of the properties amounting to \$9.1 million and a fixed price development arrangement whereby the REIT's service obligation results in revenue that is recognized by the REIT on percentage of completion basis relative to the costs incurred as compared to the total costs of the development, which are also fixed. The amount is payable by NWI Galaxy JV GmbH & Co. KG ("European JV") to the REIT at the completion of the development, which is expected to be by Q2 2022. The REIT recognized the disposition of both development properties during the quarter ended March 31, 2021 and separately recognized net development loss of \$0.2 million and net development profit \$0.7 million for the three and nine months ended September 30, 2021, respectively. As at September 30, 2021, the REIT has recorded in accounts receivable \$5.4 million relating to the development revenue owing from the European JV.

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

6. Investment Properties

As at	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 5,262,063	\$ 4,928,111
Acquisition of investment properties (notes 3 and 4)	431,916	807,648
Disposition of investment properties (note 5)	(44,908)	(841,016)
Additions to investment properties	101,064	167,257
Increase in straight line rents	1,824	3,101
Reclassified as assets held for sale (note 5)	(10,594)	—
Right of use asset addition	108	1,714
Fair value adjustment	323,321	174,415
Foreign currency translation	(224,339)	20,833
Balance, end of period	\$ 5,840,455	\$ 5,262,063

Investment properties are measured at their estimated fair value. The investment properties are re-measured to fair value at each reporting date, determined either on internal valuation models incorporating available market evidence and/or on valuations performed by independent third-party appraisers.

The fair values of the investment properties at September 30, 2021 and December 31, 2020 were determined using internal valuation models incorporating available market evidence and the results of valuations performed by independent third party appraisers. Significant assumptions and a number of methods are used by the REIT in determining the fair value of the investment properties, including capitalization rates, terminal capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income. The REIT reviewed its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic during the three and nine months ended September 30, 2021. The carrying value for the REIT's investment properties reflects its best estimate for the highest and best use as at September 30, 2021.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the REIT's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the REIT's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all impact the underlying valuation of investment properties. Consequently, the REIT has provided a wider range of measurement uncertainty scenarios with respect to the impact on the valuation of investment properties using a range of discount and capitalization rates below.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

The key valuation metrics for investment properties by region are set out in the following table:

	As at September 30, 2021			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.5% - 7.8%	4.8% - 6.3%	5.3% - 9.6%
Discount rate - weighted average	7.2%	7.1%	5.4%	6.2%
Terminal capitalization rate - range	4.8% - 8.0%	6.3% - 7.3%	4.3% - 7.5%	4.5% - 7.8%
Terminal capitalization rate - weighted average	6.6%	6.6%	5.0%	5.2%
Overall capitalization rate - range	3.2% - 9.9%	6.3% - 7.4%	3.5% - 7.2%	4.3% - 8.8%
Overall capitalization rate - weighted average	6.4%	6.8%	4.6%	4.9%

	As at December 31, 2020			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.5% - 7.8%	4.8% - 6.3%	5.8% - 9.3%
Discount rate - weighted average	7.3%	7.1%	5.6%	6.6%
Terminal capitalization rate - range	4.8% - 7.8%	6.3% - 7.3%	4.3% - 7.8%	5.1% - 8.0%
Terminal capitalization rate - weighted average	6.6%	6.6%	5.0%	5.7%
Overall capitalization rate - range	3.1% - 10.0%	6.3% - 7.4%	3.5% - 8.7%	4.8% - 10.7%
Overall capitalization rate - weighted average	6.6%	6.8%	5.1%	5.3%

The following table summarizes fair value sensitivity for the portion of the REIT's investment properties which are most sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties (in millions of Canadian dollars)	Fair value variance (in millions of Canadian dollars)	% Change
(0.75)%	4.66 %	\$ 7,078	\$ 1,237	21.0 %
(0.50)%	4.91 %	\$ 6,621	\$ 780	13.0 %
(0.25)%	5.16 %	\$ 6,211	\$ 370	6.0 %
— %	5.41 %	\$ 5,840	—	— %
0.25 %	5.66 %	\$ 5,505	(\$ 336)	(6.0)%
0.50 %	5.91 %	\$ 5,199	(\$ 642)	(11.0)%
0.75 %	6.16 %	\$ 4,918	(\$ 922)	(16.0)%

The REIT engages independent third-party appraisers to appraise its investment properties such that approximately one-third of the portfolio is independently appraised annually and every property is appraised at least once over a five-year period. The internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During the three and nine months ended September 30, 2021, investment properties with an aggregate estimated fair value of \$0.7 billion and \$3.2 billion, respectively (for the three and nine months ended months ended September 30, 2020 - \$0.7 billion and \$2.8 billion, respectively) were valued by independent third party appraisers.

7. Equity Accounted Investments

The REIT has entered into joint venture arrangements with third parties for the purpose of jointly developing, owning and operating investment properties. In each arrangement, the co-owners are equally entitled to their proportionate share of ownership.

As at September 30, 2021, the total equity commitment to the Australian and European joint ventures is approximately \$3.4 billion and \$2.9 billion, respectively, less funding to date, including 30% participation by the REIT.

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Equity Accounted Investments	Ownership Interest	Location
NWI Galaxy JV GmbH & Co. KG ("European JV")	30%	Europe
NorthWest Australia HSO Trust	30%	Australia
NorthWest Australia Hospital Investment Trust	30%	Australia
Northwest Healthcare Properties Australia REIT ("AREIT")	30%	Australia

The Australian arrangements are all governed under the same investment framework, including sharing a common third-party joint venture partner, owning assets that are in a similar asset class and geographical region, and have similarly structured investment management terms. Accordingly, the REIT has combined all Australian joint venture arrangements for disclosure purposes in the following table which shows the changes in the REIT's carrying value of its equity accounted investments:

September 30, 2021	Australia	Europe	Total
Balance, beginning of period	\$ 224,347	\$ 73,646	\$ 297,993
Cash contributions	—	9,317	9,317
Share of profit for the period	49,631	5,922	55,553
Distributions	(13,204)	—	(13,204)
REIT's share of interest and management fees ⁽ⁱ⁾	(2,104)	(3,781)	(5,885)
Foreign exchange	(15,956)	(4,264)	(20,220)
Balance, end of period	\$ 242,714	\$ 80,840	\$ 323,554

(i) Included in REIT's share of interest and management fees for the nine months ended September 30, 2021 are \$2.3 million of accrued interest expense between the JV and the REIT.

The following tables summarized financial information of the REIT's interests in equity accounted investments:

	September 30, 2021		
	Australia	Europe	Total
Total assets	\$ 1,883,897	\$ 517,208	\$ 2,401,105
Total liabilities	1,017,864	262,832	1,280,696
Net assets	866,033	254,376	1,120,409
Less: Non-controlling interests	57,956	—	57,956
Net assets less non-controlling interests	808,077	254,376	1,062,453
Ownership Interest	30.0%	30% to 33.6%	30% to 33.6%
Equity Accounted Investments	\$ 242,714	\$ 80,840	\$ 323,554

Included in total assets is cash of \$15.6 million and \$7.9 million in Australia and Europe respectively (December 31, 2020 - \$19.1 million and \$6.7 million).

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Three months ended September 30,	2021			2020		
	Australia	Europe	Total	Australia	Europe	Total
Revenue	\$ 23,265	\$ 7,607	\$ 30,872	\$ 23,127	\$ —	\$ 23,127
Interest income	1,267	—	1,267	1,257	—	1,257
Total revenue	\$ 24,532	\$ 7,607	\$ 32,139	\$ 24,384	\$ —	\$ 24,384
Expenses and fair value adjustments						
Operating costs	1,678	1,324	3,002	\$ 1,708	\$ —	\$ 1,708
Mortgage and loan interest expense	3,363	1,370	4,733	3,720	—	3,720
General and administrative expenses	249	535	784	183	—	183
Other	146	—	146	144	—	144
Fair value (gain) loss	(4,451)	335	(4,116)	(1,905)	—	(1,905)
Income tax expense	—	438	438	—	—	—
Net income (loss)	\$ 23,547	\$ 3,605	\$ 27,152	\$ 20,534	\$ —	\$ 20,534
Non-controlling interests	850	—	850	1,728	—	1,728
Net profit attributable to owners	22,697	3,605	26,302	18,806	—	18,806
Weighted average share of profits (loss)	30.0%	30% to 33.6%	30% to 33.6%	30 %		30.0%
REIT's share of income (loss)	\$ 6,809	\$ 1,257	\$ 8,066	\$ 5,642	\$ —	\$ 5,642

Nine months ended September 30,	2021			2020		
	Australia	Europe	Total	Australia	Europe	Total
Revenue	\$ 73,741	\$ 23,194	\$ 96,935	\$ 57,920	\$ —	\$ 57,920
Interest income	3,869	—	3,869	2,807	—	2,807
Total revenue	\$ 77,610	\$ 23,194	\$ 100,804	\$ 60,727	\$ —	\$ 60,727
Expenses and fair value adjustments						
Operating costs	7,654	3,839	11,493	\$ 4,235	\$ —	\$ 4,235
Mortgage and loan interest expense	10,225	3,764	13,989	11,736	—	11,736
General and administrative expenses	458	2,801	3,259	289	—	289
Other	485	—	485	379	—	379
Fair value (gain) loss	(109,512)	(9,494)	(119,006)	(15,173)	—	(15,173)
Income tax expense	—	4,311	4,311	—	—	—
Net income (loss)	\$ 168,300	\$ 17,973	\$ 186,273	\$ 59,261	\$ —	\$ 59,261
Non-controlling interests	2,862	—	2,862	1,728	—	1,728
Net profit attributable to owners	165,438	17,973	183,411	57,533	—	60,989
Weighted average share of profit (loss)	30.0%	30% to 33.6%	30% to 33.6%	30 %		30.0%
REIT's share of income (loss)	\$ 49,631	\$ 5,922	\$ 55,553	\$ 17,260	\$ —	\$ 17,260

The fair value (gain) loss relates to fair value movements in investment properties which are determined using the same valuation methodology as the REIT.

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8. Financial Instruments

As at	September 30, 2021	December 31, 2020
Financial assets:		
Option contracts ⁽ⁱ⁾	20,270	—
Foreign exchange contracts	1,125	541
Total financial assets	21,395	541
Financial liabilities:		
Option contracts ⁽ⁱ⁾	12,376	—
Interest rate swaps ⁽ⁱⁱ⁾	37,323	62,405
Foreign exchange contracts	12	—
Total financial liabilities	\$ 49,711	\$ 62,405

- (i) On December 24, 2020, the REIT entered into a call and put agreement on behalf of itself and for its Australian JV partner, to purchase 16% unconditional economic interest in Australian Unity Healthcare Property Trust ("AUHPT"). As the REIT directly acquired a 5.1% stake in AUHPT (note 9), during nine months ended September 30, 2021, the derivative agreement was amended to reduce the underlying investment interest subject to the call and put arrangement from 16.0% to 11.1% and to reflect a strike price per unit at A\$2.55. The terms of the call and put agreement require the REIT to pay to the seller an escalation premium if there is a price difference between the A\$2.55 price to purchase the units and any future offers to acquire additional AUHPT units. As a result of unit purchases during the period (note 9), the underlying price per unit was amended to A\$2.70.

For the nine months ended September 30, 2021, the REIT's investment into the call and put agreement of \$47.5 million was recognized as a derivative financial instrument. The arrangement between the REIT and its Australian JV partner has been recognized as a separate derivative under financial liabilities arising from the call/put option. The derivative financial asset and derivative financial liability have been recorded in accordance with IFRS 9. For the three and nine months ended September 30, 2021, the REIT recorded fair value loss related to the derivative financial instruments of \$6.0 million and \$10.3 million, respectively.

For the three and nine months ended September 30, 2021, the REIT recognized reimbursement income as part of management fee revenue during the period from its Australian JV partner of \$2.0 million and \$4.2 million respectively with respect to transaction costs incurred by the REIT.

- (ii) The REIT has entered into interest rate swap contracts during the three and nine months ended September 30, 2021 with respect to certain Canadian and German mortgages, and portions of the Vital Healthcare Property Trust ("Vital Trust") credit facility for a total of \$671.0 million (note 10). The interest rate derivatives mature over the next 1 to 10 years and have fixed interest rates ranging from 1.38% to 4.32%.

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The components of the gain/(loss) on derivative financial instruments are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Fair value adjustment - interest rate swaps	\$ 3,089	\$ (580)	\$ 22,568	\$ (18,727)
Receipts/(payments) under transaction hedging foreign exchange contracts	297	(68)	299	12
Fair value adjustment - foreign exchange contracts	—	(368)	—	—
Fair value adjustment - option contracts	(5,989)	—	(10,255)	—
Fair value adjustment - financial asset	1,026	—	361	—
	\$ (1,577)	\$ (1,016)	\$ 12,973	\$ (18,715)

9. Other Assets

As at	September 30, 2021	December 31, 2020
Investment in financial asset (note 8) (i)	\$ 159,907	\$ —
Acquisition and financing costs (ii)	26,280	7,767
Loans and mortgages receivable carried at amortized cost (iii)	10,195	10,925
Prepaid expenses and deposits	8,287	5,892
Finance lease receivable (iv)	6,717	7,060
Right-of-use lease assets (v)	3,498	3,723
Commodity taxes recoverable	3,163	3,828
Furniture and office equipment	2,443	2,661
Other	148	6
	\$ 220,638	\$ 41,862

- i. On May 28, 2021, the REIT directly acquired 43,793,046 units in AUHPT at AUD\$2.55 for total consideration of \$104.2 million ("the Agreement"). The terms of the Agreement require the REIT to pay to the seller an escalation premium if there is a price difference between the price paid to purchase the units and any future offers to acquire additional AUHPT units. This resulted in an escalation premium payable liability of \$6.1 million that has been settled during the three months ended September 30, 2021.

On July 23, 2021, the REIT received applications for approximately 16.5 million AUHPT equivalent whole sale units which were settled during the three months ended September 30, 2021 for consideration of \$41.2 million.

During the nine months ended September 30, 2021, the REIT entered into separate and incremental put and call arrangements with various third parties, where no premiums were paid, to acquire approximately 10.0 million units at A\$2.70 per wholesale unit (or A\$2.76 per retail unit and A\$1.69 per Class A unit) for total consideration of \$22.5 million. The put and call arrangements can be exercised from July 19, 2021 to January 31, 2022. As at September 30, approximately 1.6 million units have been acquired for consideration of \$3.9 million. Further, the REIT participated in AUHPT's entitlement offer of wholesale units to existing unitholders and acquired 2.3 million units for consideration of \$4.8 million. The REIT also participated in AUHPT's dividend reinvestment program and reinvested 0.5 million units valued at \$1.0 million.

The REIT has accounted for the AUHPT units as a fair value through profit and loss ("FVTPL") financial instrument under IFRS 9 and accordingly adjusted the investment to its fair value of AUD\$2.70 per unit.

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For the three and nine months ended September 30, 2021, the REIT recognized \$1.3 million and \$2.4 million, respectively, of distribution income under interest and other income in the statement of comprehensive income (loss) related to the AUHPT units. As at September 30, the REIT's direct investment represents approximately a 6.5% stake in AUHPT.

- ii. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation. Included in acquisition and financing costs are \$15.4 million of deposits on Vital Trust investment property acquisitions that have been closed in the period subsequent to September 30, 2021 and are expected to close during the 3 months ended December 31, 2021.
- iii. Loans and mortgages receivable carried at amortized cost relates to an interest-bearing loan secured by an Australian investment property maturing in April 2023.
- iv. Finance lease receivable relates to a long-term lease of land that is a finance lease, bearing a discount rate of 6.5% and remaining term of 67 years.
- v. Right-of-use lease assets are net of accumulated amortization of \$2.2 million (December 31, 2020 - \$2.0 million).

10. Mortgages and Loans Payable

As at	September 30, 2021	December 31, 2020
Mortgage payable, net of financing costs	\$ 830,118	\$ 952,882
Term debt, net of financing costs	1,272,607	1,083,664
Credit facilities, net of financing costs	579,693	446,480
Lease liabilities	12,029	12,387
Total Mortgages and loans payable	\$ 2,694,447	\$ 2,495,413
Less: Current portion	829,789	744,434
Non-current debt	\$ 1,864,658	\$ 1,750,979

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with a carrying value of \$1.5 billion as at September 30, 2021 (December 31, 2020 - \$1.8 billion).

Term debt

As at September 30, 2021, the term debt balance without consideration of financing costs includes:

- Brazilian debt secured by related investment property of \$163.5 million (December 31, 2020 - \$175.6 million);
- Australian term debt of \$94.6 million (December 31, 2020 - \$101.4 million), \$21.7 million (December 31, 2020 - \$23.3 million) of which is secured by related investment property of \$39.1 million (December 31, 2020 - \$41.7 million);
- New Zealand term debts of \$868.6 million (December 31, 2020 - \$675.4 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties held by Vital Trust; and
- Australasian secured term financing of \$153.1 million (December 31, 2020 - \$137.9 million) secured by 134,620,655 units (December 31, 2020 - 111,923,175 units) of Vital Trust held by the REIT.

In March 2021, Vital Trust amended and refinanced tranches of the New Zealand term debts noted above. Facility limits of \$362.8 million, of which the entire amount is drawn as at September 30, 2021, have been secured from a different lending syndicate, over terms of 4 to 5 years, resulting in a weighted average facility term to maturity increasing from 1.3 to 2.9 years. Vital Trust had previously designated the loans outstanding denominated in Australian dollars as a partial foreign exchange hedge of its net investment in an Australian subsidiary. As a result of the refinancing, Vital Trust ceased the hedging relationship and recognized a realized

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foreign exchange gain of \$42.4 million in the statement of other comprehensive income (loss), representing the effective hedging relationship that had been previously recorded as fair value gain (loss) on the loan balance that was designated as a net investment hedge in prior periods.

During the three months ended September 30, 2021, Vital Trust entered into a new credit facility with a financial institution. The credit facility has a borrowing limit of \$68.8 million, of which \$0.5 million is drawn as at September 30, 2021, and matures in September 2028. Subsequent to September 30, 2021, Vital Trust refinanced \$167.5 million of outstanding facilities maturing in November 2021 and January 2022 with facilities maturing between March 2024 to October 2028.

Credit facilities

The revolving credit facility is secured by first and second charges on certain Canadian and European investment properties with an estimated fair value of \$1.1 billion, as well as the terms of a general security agreement.

Lease liabilities

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at September 30, 2021 was 67 years. In addition, as part of the transition to IFRS 16 in the prior year, the REIT recognized lease liabilities for leases where the REIT acts as a lessee. Minimum payments under the lease and their present values are as follows:

As at	September 30, 2021	December 31, 2020
Minimum lease payments payable:		
Not later than one year	\$ 1,558	\$ 1,626
Later than one year and not later than five years	5,027	5,395
Later than five years	29,889	31,842
	36,474	38,863
Future finance charges	(24,445)	(26,476)
Present value of minimum lease payments	\$ 12,029	\$ 12,387
Present value of minimum lease payments:		
Not later than one year	1,525	1,581
Later than one year and not later than five years	4,463	4,716
Later than five years	6,041	6,090
	\$ 12,029	\$ 12,387

As at September 30, 2021, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Term Debt	Credit Facilities	Finance Lease	Total
2021 (remainder)	\$ 6,284	\$ 81,624	\$ —	\$ 488	\$ 88,396
2022	141,909	313,114	581,105	1,546	1,037,674
2023	119,676	401,597	—	1,452	522,725
2024	144,650	17,968	—	1,119	163,737
2025	135,966	76,135	—	736	212,837
2026 & thereafter	285,421	389,477	—	6,688	681,586
	\$ 833,906	\$ 1,279,915	\$ 581,105	\$ 12,029	\$ 2,706,955
Financing costs	(4,608)	(7,308)	(1,412)	—	(13,328)
Mark-to-market adjustment	820	—	—	—	820
Total	\$ 830,118	\$ 1,272,607	\$ 579,693	\$ 12,029	\$ 2,694,447

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A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debt and credit facilities, outstanding at September 30, 2021 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value	Available to be Drawn
Fixed rate				
Mortgage debt	August 2021 - June 2030	2.70 %	\$ 833,907	\$ —
Term debt	July 2022 - June 2031	4.68 %	588,855	63,634
Total fixed rate debt			\$ 1,422,762	\$ 63,634
Variable Rate				
Term debt	July 2022 - October 2023	1.41 %	691,060	71,592
Credit facilities	January 2022 - November 2022	3.89 %	581,104	36,393
Total variable rate debt			\$ 1,272,164	\$ 107,985
Total debt excluding the following:			\$ 2,694,926	\$ 171,619
Finance lease			12,029	—
Financing costs			(13,328)	—
Mark-to-market adjustment			820	—
Total debt			\$ 2,694,447	\$ 171,619

The table below summarizes the movements in the REIT's mortgages and loans during the nine months ended September 30, 2021:

	Mortgage Debt	Term Debt	Credit Facilities	Total
Opening balance, January 1, 2021	\$952,882	\$1,083,664	\$446,480	\$2,483,026
Repayments	(332,302)	(11,798)	(404,750)	(748,850)
Advances	222,804	264,895	543,100	1,030,799
Additional financing fees incurred	(11,842)	(3,176)	(1,425)	(16,443)
Amortization of finance fees	5,957	2,208	1,889	10,054
Amortization of mark-to-market	(314)	—	—	(314)
Inflation adjustment	—	7,431	—	7,431
Foreign exchange adjustment	(7,067)	(70,617)	(5,601)	(83,285)
Ending balance, September 30, 2021	\$830,118	\$1,272,607	\$579,693	\$2,682,418

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its \$671.0 million variable rate mortgage debt as at September 30, 2021 (December 31, 2020 - \$617.8 million). The interest rate swaps terminate between 2022 and 2030, refer to note 8.

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11. Convertible Debentures

The movements in fair value of convertible debentures were as follows:

As at	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 292,821	\$ 391,201
Conversion to REIT units (note 14)	(63,333)	(51,483)
Convertible debentures cash redemptions	(13,835)	(44,567)
Change in fair value of convertible debentures	(949)	(2,330)
Balance, end of period	\$ 214,704	\$ 292,821

On May 10, 2021, \$60.9 million of the \$74.7 million principal amount 5.25% NWH.DB.E convertible debenture series were converted by the debenture holders into 4,818,001 Trust Units (note 14). The REIT fully repaid the remaining \$13.8 million principal balance outstanding in cash.

The fair values of convertible debentures outstanding, determined on the basis of the closing market price as at the reporting date, are as follows:

As at	September 30, 2021	December 31, 2020
NWH.DB.E	—	76,601
NWH.DB.F	80,330	83,720
NWH.DB.G	134,374	132,500
Fair Value	\$ 214,704	\$ 292,821
Current	80,330	160,321
Non-Current	134,374	132,500
	\$ 214,704	\$ 292,821

Debentures Series	Conversion price per Unit (\$)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.F	\$12.80	December 31, 2021	5.25%	Semi-annual	June 30 and December 31
NWH.DB.G	\$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31

12. Deferred Unit Plan ("DUP") Liability

The REIT's DUP became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2019. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a financial liability until redeemed.

Deferred unit plan liabilities also exist with respect to a plan administered by NorthWest Healthcare Properties Management Limited (the "Global Manager") and are related to deferred units of Vital Trust, a consolidated subsidiary.

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(a) Liability:

As at	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 24,277	\$ 19,656
Unit based compensation expense	10,813	7,374
Exercised and paid in cash	(5,464)	(2,215)
Exercised and settled in Trust Units	(1,708)	(2,275)
Fair value adjustment	612	1,673
Foreign exchange	(57)	64
Balance, end of period	\$ 28,473	\$ 24,277

The balance of the DUP liability at September 30, 2021 consists of \$28.0 million related to the REIT's DUP and \$0.4 million related to Vital Trust's DUP (December 31, 2020 - \$22.8 million related to the REIT's DUP and \$1.5 million related to Vital Trust's DUP).

Unit-based compensation expense is measured on grant at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the applicable vesting period. At September 30, 2021, 1,418,449 unvested deferred units are expected to vest between 2021 and 2025. Unit-based compensation does not qualify as an equity award and is classified as a liability. The awards are re-measured at fair value each reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as part of compensation expense for the period.

(b) Units outstanding under the deferred unit plans:

As at September 30, 2021	REIT	Vital Trust
Balance, beginning January 1, 2021	2,259,611	585,878
Granted	876,454	—
Exercised and paid in cash	(341,983)	(377,392)
Exercised and paid in REIT units	(131,555)	—
Forfeited	(17,637)	—
Distribution entitlement	121,424	6,943
Balance, as at September 30, 2021	2,766,314	215,429
Units vested but not exercised	1,500,266	62,545

For the three and nine months ended September 30, 2021, the REIT granted 48,517 and 876,454 DUP units with a grant-date fair value of \$0.6 million and \$11.5 million, respectively (for the three and nine months ended months ended September 30, 2020 - 18,954 and 688,031 DUP units with a fair value of \$0.2 million and \$6.7 million, respectively).

13. Class B Exchangeable Units

The Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

Distributions declared on the Class B exchangeable units of NorthWest International Healthcare Properties LP ("NWI LP") totaled \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2021 (for the three and nine months ended months ended September 30, 2020 - \$0.3 million and \$3.2 million) and have been accounted for as finance costs in profit or loss.

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The following table shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2020	1,710,000 \$	21,546
Fair value adjustment	—	530
Balance, September 30, 2021	1,710,000 \$	22,076

14. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, however, it entitles the holder to one vote per special voting unit at any meeting of the unitholders. The REIT's Trustees have discretion in declaring distributions.

The following table shows the changes in REIT units:

	REIT units	Amount
Balance, December 31, 2020	175,977,780 \$	1,694,810
Units issued through distribution reinvestment plan (i)	1,499,239	18,960
Units issued on conversion of convertible debentures (note 11)	4,907,244	63,333
Units issued under deferred unit plan (note 12)	131,555	1,708
Units issued pursuant to equity offering (ii)	35,385,257	446,725
Units issuance costs	—	(18,915)
Balance, September 30, 2021	217,901,075 \$	2,206,621

- (i) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%. On March 24, 2020, in response to market volatility caused by the COVID-19 pandemic the Board approved the elimination of the 3% bonus distribution under the DRIP, commencing with the April 2020 distribution. On November 12, 2020, the REIT announced the reinstatement of the DRIP, which had previously been suspended on March 24, 2020. For the three and nine months ended September 30, 2021 the REIT's DRIP participation rate was 15.9% (three and nine months ended months ended September 30, 2020 - 13.5%).
- (ii) On February 22, 2021, the REIT completed a public offering of 17,020,000 units at a price of \$12.65 per unit for gross proceeds of \$215.3 million, which included partial exercise of the over-allotment option granted to the underwriters, whereby an additional 1,200,000 units were issued at a price of \$12.65 per unit. In connection with the public offering, on April 9, 2021 the REIT closed a private placement of 395,257 Trust Units to NWVP for gross proceeds of approximately \$5.0 million.

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On June 18, 2021, the REIT completed a public offering of 15,985,000 units at a price of \$12.60 per unit for gross proceeds of \$201.4 million, which included the full exercise of an over-allotment option granted to the underwriters, whereby an additional 2,085,000 units were issued at a price of \$12.60 per unit. In connection with the public offering, on July 22, 2021 the REIT closed a private placement of 1,985,000 trust units for approximately \$25.0 million.

15. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and two investment properties Divine, and Fritz-Lang-Platz 6, held by Australia REIT and NWI Gesundheitsimmobilien GmbH & Co. KG, respectively, where a non-controlling or partial interest is owned by a third party. On June 30, 2020, the REIT sold a 70% interest in its Australia REIT subsidiary, and as a result the non-controlling interests balance related to Divine is no longer consolidated by the REIT.

The net assets and income (loss) attributable to the non-controlling interests and the REIT are as follows:

As at September 30, 2021	Vital Trust		Fritz-Lang-Platz 6		Total
REIT's ownership interest	26.7 %		94.9 %		
Total assets	\$	2,297,106	\$	27,289	\$ 2,324,395
Total liabilities		1,044,833		20,824	1,065,657
Net assets	\$	1,252,273	\$	6,465	\$ 1,258,738
Attributable to:					
Unitholders of the REIT		290,917		5,931	296,848
Non-controlling interests		961,356		534	961,890
	\$	1,252,273	\$	6,465	\$ 1,258,738

Net assets attributable to the non-controlling interests of the Aspen Group are \$2.9 million (note 3).

	For the three months ended September 30, 2021			For the three months ended September 30, 2020			
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Revenue from investment properties	\$ 29,792	\$ 427	\$ 30,219	\$ 28,488	\$ —	\$ 404	\$ 28,892
Net income attributable to:							
Unitholders of the REIT	6,715	187	6,902	2,220	—	88	2,308
Non-controlling interests	11,767	11	11,778	6,639	—	4	6,643
Net income	\$ 18,482	\$ 198	\$ 18,680	\$ 8,859	\$ —	\$ 92	\$ 8,951
Total comprehensive income attributable to:							
Unitholders of the REIT	4,452	1	4,453	6,111	—	12	6,123
Non-controlling interests	5,616	11	5,627	17,537	—	15	17,552
Total comprehensive income (loss)	\$ 10,068	\$ 12	\$ 10,080	\$ 23,648	\$ —	\$ 27	\$ 23,675
Distributions attributable to non-controlling interests	\$ 7,669	\$ —	\$ 7,669	\$ 13,191	\$ —	\$ —	\$ 13,191

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	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020			
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Revenue from investment properties	\$ 86,256	\$ 1,282	\$ 87,538	\$ 77,130	\$ 3,810	\$ 1,172	\$ 82,112
Net income (loss) attributable to:							
Unitholders of the REIT	52,976	536	53,512	3,080	1,667	449	5,196
Non-controlling interests	134,543	30	134,573	9,234	1,316	23	10,573
Net income (loss)	\$ 187,519	\$ 566	\$ 188,085	\$ 12,314	\$ 2,983	\$ 472	\$ 15,769
Total comprehensive income (loss) attributable to:							
Unitholders of the REIT	33,734	(321)	33,413	12,045	1,257	113	13,415
Non-controlling interests	79,958	(2)	79,956	35,366	2,785	59	38,210
Total comprehensive income (loss)	\$ 113,692	\$ (323)	\$ 113,369	\$ 47,411	\$ 4,042	\$ 172	\$ 51,625
Distributions attributable to non-controlling interests	\$ 23,113	\$ —	\$ 23,113	\$ 19,606	\$ 716	\$ —	\$ 20,322

	For the three months ended September 30, 2021			For the three months ended September 30, 2020			
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Cash flow activities:							
Operating	\$ (13,544)	\$ (202)	\$ (13,746)	\$ 8,300	\$ —	\$ —	\$ 8,300
Investing	(104,028)	—	(104,028)	(50,542)	—	—	(50,542)
Financing	115,714	368	116,082	39,449	—	—	39,449
Effect of foreign currency translation	3,333	(4)	3,329	2,559	—	(1)	2,558
Net change in cash	\$ 1,475	\$ 162	\$ 1,637	\$ (234)	\$ —	\$ (1)	\$ (235)

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020			
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Cash flows from (used in):							
Operating	\$ (7,514)	\$ (97)	\$ (7,611)	\$ 27,639	\$ 2,645	\$ 411	\$ 30,695
Investing	(230,635)	(1)	(230,636)	(101,244)	—	—	(101,244)
Financing	234,708	240	234,948	71,206	(1,659)	(428)	69,119
Effect of foreign currency translation	3,823	(2)	3,821	2,201	(1,793)	(1)	407
Net change in cash	\$ 382	\$ 140	\$ 522	\$ (198)	\$ (807)	\$ (18)	\$ (1,023)
Cash ending balance	\$ 6,156	\$ 159	\$ 6,315	\$ 4,382	\$ —	\$ 3	\$ 4,385

For the three and nine months ended September 30, 2021, the REIT had total net income attributable to non-controlling interest of \$11.9 million and \$134.7 million, respectively. Included in these amounts is \$0.1 million related to the Aspen Group, which is classified as part of discontinued operations (note 3). The REIT is subject to restrictions over the extent to which it can access funds of Vital Trust and Fritz-Lang-Platz 6 in the form of cash distributions, or use of assets and access to debt and credit facilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interests in Vital Trust and Fritz-Lang-Platz 6, being limited to approximately 26.7% and 94.9%, respectively.

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16. Rental Revenue

The components of rental revenue are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Rental income	\$ 74,882	\$ 72,861	\$ 216,195	\$ 216,807
Operating cost recoveries	14,584	14,158	43,740	42,466
Tax and insurance recoveries	4,398	6,527	13,446	17,241
Other revenue	1,690	1,540	4,864	4,459
Rental revenue	\$ 95,554	\$ 95,086	\$ 278,245	\$ 280,973

17. Supplemental Cash Flow Information

(i) Cash, cash equivalents and restricted cash

As at	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 105,734	\$ 144,106
Restricted cash	41	41
Total cash, cash equivalents and restricted cash	\$ 105,775	\$ 144,147

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term debt (note 10).

(ii) Changes in Non-Cash Working Capital Balances

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ (26,295)	\$ 3,345	\$ (38,700)	\$ 1,648
Other assets	1,536	(4,508)	(3,883)	2,775
Accounts payable and accrued liabilities	7,654	12,941	23,991	19,289
Changes in non-cash working capital balances	\$ (17,105)	\$ 11,778	\$ (18,592)	\$ 23,712

(iii) Non-Cash Financing and Investing Activities

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Non cash distributions to Unitholders under the DRIP (note 14)	\$ 7,147	\$ 1,313	\$ 18,960	\$ 5,620
Investment property received as compensation for sale of discontinued operation (note 3, 4)	17,105	—	17,105	—
Units issued under deferred unit plan (note 12)	1,251	365	1,708	840
Non-cash conversion of convertible debentures	11	—	63,333	51,483
Non-cash conversion of Class B exchangeable units (note 13)	—	—	—	106,387

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(iv) Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Distributions on Exchangeable Units	\$ 342	\$ 342	\$ 1,026	\$ 3,159
Accretion of financial liabilities	2,445	759	7,431	3,321
Amortization of deferred financing costs	1,314	2,991	10,054	6,872
Amortization of marked to market adjustment	(105)	(252)	(314)	(760)
Fair value adjustment of Convertible Debentures	516	5,368	(949)	(8,474)
Convertible Debenture issuance costs	—	—	—	—
Fair value adjustment of Class B exchangeable units	308	958	530	(85,444)
Total finance costs	\$ 4,820	\$ 10,166	\$ 17,778	\$ (81,326)

18. Related Party Transactions

(a) As at September 30, 2021, Northwest Value Partners Inc. and affiliates ("NWVP") indirectly owned approximately 12.6% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units of NWI LP, approximately 11.6% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units (as at December 31, 2020 - 15.3% and 13.5% respectively). 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.

On April 9, 2021 and in connection with the February 22, 2021 public offering, the REIT completed a private placement of 395,257 Trust Units to NWVP for gross proceeds of approximately \$5.0 million.

On July 22, 2021 and in connection with the June 18, 2021 public offering, the REIT completed a private placement of 1,985,000 Trust Units to NWVP for gross proceeds of approximately \$25.0 million.

As at September 30, 2021, the REIT granted total of 185,956 deferred units of which 91,765 unvested deferred units are scheduled to vest between 2022 and 2026.

(b) As at September 30, 2021, the REIT had a payable owing to NWVP of \$0.1 million (December 31, 2020 - \$0.7 million) that is included in accounts payable and accrued liabilities.

The REIT incurred charges to NWVP during the three months ended September 30, 2021 of \$0.1 million, which includes the cost of NWVP personnel seconded and expense reimbursements which were recorded as part of general and administrative expenses and transaction costs

The REIT incurred charges to NWVP during the nine months ended September 30, 2021, of \$1.8 million, which includes: (i) compensation for CEO management services for the year ending December 31, 2021 of which \$1.4 million has been expensed by the REIT on a pro-rata basis over course of the period and (ii) the cost of NWVP personnel seconded to the REIT totaling \$0.2 million and expense reimbursements of \$0.2 million. The aforementioned charges were recorded as part of general and administrative expenses and transaction costs.

During the three and nine months ended September 30, 2021, the REIT made total payments to NWVP of \$0.3 million and \$2.4 million, respectively, to settle the obligations noted above.

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- (c) At September 30, 2021, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable to NWVP and affiliates in the amount of \$0.1 million (December 31, 2020 - \$0.1 million), which were settled subsequent to period end.

19. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its European, Brazilian, Canadian, and Australasian operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income (loss). The accounting policies for each of the segments are the same as those for the REIT. The REIT's general and administrative expenses are managed centrally in Canada and are not allocable to operating segments, however certain operating segments incur general and administrative expenses specific to their segment and are included in the segment results reported.

As a result of the acquisition of the Aspen Group in the United Kingdom, the REIT acquired and immediately presented the subsidiaries that operate the hospitals acquired as held for sale and discontinued operations. The below table excludes segments classified as discontinued operations.

During the three and nine months ended September 30, 2021, two tenants in Brazil accounted for 11% (for the three and nine months ended September 30, 2020 - 11%), and one tenant in Australasia accounted for 4% (for the three and nine months ended months ended September 30, 2020 - 14%) of the total revenue from investment properties.

As at September 30, 2021	Europe	Brazil	Australasia	Canada	Total
Investment properties	\$1,501,459	\$ 661,575	\$2,462,539	\$1,214,882	\$5,840,455
Mortgages and loans payable	\$ 327,428	\$ 159,989	\$ 965,046	\$1,241,984	\$2,694,447
As at December 31, 2020	Europe	Brazil	Australasia	Canada	Total
Investment properties	\$1,172,476	\$ 648,226	\$2,236,504	\$1,204,857	\$5,262,063
Mortgages and loans payable	\$ 468,208	\$ 170,415	\$ 781,116	\$1,075,674	\$2,495,413
For the three months ended September 30, 2021	Canada	Brazil	Europe	Australasia	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 30,935	\$ 10,677	\$ 21,240	\$ 32,702	\$ 95,554
Property operating costs	13,931	—	2,465	4,464	20,860
Net property operating income	17,004	10,677	18,775	28,238	74,694
Interest and other	(5)	72	39	1,667	1,773
Development revenue	—	—	2,577	—	2,577
Management fee	—	—	617	3,480	4,097
Share of profit of from equity accounted investment	—	—	1,257	6,809	8,066
	(5)	72	4,490	11,956	16,513
Mortgage and loan interest expense	13,045	1,880	1,231	6,248	22,404
General and administrative expenses	3,961	348	1,854	2,218	8,381
Transaction costs	3,829	12	9,231	3,827	16,899
Development costs	—	—	2,775	—	2,775
Foreign exchange (gain) loss	4,358	(1)	11	260	4,628
	25,193	2,239	15,102	12,553	55,087
Operating income (loss)	\$ (8,194)	\$ 8,510	\$ 8,163	\$ 27,641	\$ 36,120

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For the three months ended September 30, 2020	Canada	Brazil	Europe	Australasia	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 29,493	\$ 10,945	\$ 18,140	\$ 31,715	\$ 90,293
Property operating costs	13,704	—	3,404	3,283	20,391
Net property operating income	15,789	10,945	14,736	28,432	69,902
Interest and other	10	87	—	415	512
Management fee	—	—	—	2,346	2,346
Share of profit from equity accounted investment	—	—	—	4,100	4,100
	10	87	—	6,861	6,958
Mortgage and loan interest expense	11,305	2,068	2,540	7,885	23,798
General and administrative expenses	4,303	350	632	2,539	7,824
Transaction costs	2,170	—	600	7,990	10,760
Foreign exchange (gain) loss	1,756	5	(7)	4,035	5,789
	19,534	2,423	3,765	22,449	48,171
Operating income (loss)	\$ (3,735)	\$ 8,609	\$ 10,971	\$ 12,844	\$ 28,689
For the nine months ended September 30, 2021	Canada	Brazil	Europe	Australasia	Total
Operating Income					
Revenue from investment properties	\$ 93,541	\$ 31,193	\$ 58,204	\$ 95,307	\$ 278,245
Property operating costs	43,866	—	8,054	11,241	63,161
Net property operating income	49,675	31,193	50,150	84,066	215,084
Interest and other	84	166	37	3,242	3,529
Development revenue	—	—	5,742	—	5,742
Management fee	—	—	2,014	11,135	13,149
Share of income from equity accounted investment	—	—	5,922	49,631	55,553
	84	166	13,715	64,008	77,973
Mortgage and loan interest expense	35,985	5,471	7,159	19,547	68,162
General and administrative expenses	13,914	971	5,253	9,639	29,777
Transaction costs	6,469	12	14,314	9,537	30,332
Development costs	—	—	5,004	—	5,004
Foreign exchange (gain) loss	(10,756)	1	40	1,696	(9,019)
	45,612	6,455	31,770	40,419	124,256
Operating income (loss)	\$ 4,147	\$ 24,904	\$ 32,095	\$ 107,655	\$ 168,801

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For the nine months ended September 30, 2020	Canada	Brazil	Europe	Australasia	Total
Operating Income					
Revenue from investment properties	\$ 62,060	\$ 23,808	\$ 34,571	\$ 65,448	\$ 185,887
Property operating costs	29,248	—	6,599	7,492	43,339
Net property operating income	32,812	23,808	27,972	57,956	142,548
Other income					
Interest and other	103	148	20	861	1,132
Management fee	—	—	—	3,769	3,769
Share of income from equity accounted investment	—	—	—	11,618	11,618
	103	148	20	16,248	16,519
Mortgage and loan interest expense	22,802	4,597	4,872	16,379	48,650
General and administrative expenses	6,862	702	1,773	5,506	14,843
Transaction costs	11,700	213	600	14,660	27,173
Foreign exchange (gain) loss	10,027	10	(38)	3,255	13,254
	51,391	5,522	7,207	39,800	103,920
Operating income (loss)	\$ (18,476)	\$ 18,434	\$ 20,785	\$ 34,404	\$ 55,147

20. Commitments and Contingent Liabilities

- a. The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at September 30, 2021, the REIT has a total of \$6.2 million in outstanding letters of credit, under the REIT's secured revolving floating rate credit facility, related to construction work that is being performed on investment properties. The REIT does not expect that any of these standby letters of credit are likely to be drawn upon.
- b. Pursuant to the disposition of the REIT's 70% interest in AREIT units during the year ended December 31, 2020, the REIT indemnified the joint venture partner for potential tax liabilities related to AREIT's investment properties. The indemnity expires if the properties are not sold within 15 years of settlement. Given that the disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.
- c. Pursuant to the vend-in of European investment properties to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to the investment properties. Given that the eventual disposition of properties is dependent on uncertain future events not within the control of the REIT, and that the taxable outcome of the disposition is not estimable due to the variables involved, the REIT has not recognized a provision related to the indemnification.
- d. The REIT has entered into acquisition and construction agreements on development properties and is committed to associated costs of \$247.6 million as at September 30, 2021 (December 31, 2020 - \$271.0 million), of which \$11.6 million relates to the committed development expenditures for properties contributed and sold to the European JV (note 5).
- e. The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements

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prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

- f. The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

21. Fair Values

Estimated fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments and investment properties. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The REIT determined the estimated fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimate cash flows beyond the term of 10 years. Note 6 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Derivatives instruments are valued using a valuation technique with market-observable inputs (Level 2) and include the forward contract and the interest rate swaps. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The call and put option instruments and shares in AUHPT are valued using an internal model without observable market information as inputs (Level 3).

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 1) as a practical expedient for fair value measurement for its Class B exchangeable units, DUP liability and convertible debentures.

The fair value of the REIT's mortgages and loans payable are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2). The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at September 30, 2021 is as follows:

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 5,840,455	\$ —	\$ —	\$ 5,840,455
Financial instruments	21,395	—	1,125	20,270
Investment in AUHPT	159,907	—	—	159,907
Assets held for sale	27,783	—	—	27,783
Assets recorded at amortized cost:				
Loans receivable	10,195	—	—	10,195
Liabilities measured at fair value:				
Financial instruments	49,711	—	37,335	12,376
Convertible debentures	214,704	214,704	—	—
Class B LP exchangeable units	22,076	22,076	—	—
Deferred unit plan liabilities	28,473	28,473	—	—
Liabilities held for sale	5,488	—	—	5,488
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	2,694,447	—	2,686,389	—

22. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, Class B exchangeable units, and unsecured debt which includes convertible debentures.

At September 30, 2021, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 40.6% (December 31, 2020 - 42.9%).

As at	September 30, 2021	December 31, 2020
Debt		
Gross value of debt excluding convertible debentures ⁽¹⁾	\$ 2,706,955	\$ 2,510,310
Gross value of total debt ⁽²⁾	2,921,659	2,803,131
Gross Book Value of Assets		
Total assets	\$ 6,674,397	\$ 5,845,238
Debt-to-Gross Book Value (Declaration of Trust)	40.6 %	42.9 %
Debt-to-Gross Book Value (including convertible debentures)	43.8 %	48.0 %

(1) represents the principal balance of mortgages, credit facilities, term debt and finance lease.

(2) represents the principal balance of mortgages, credit facilities, term debt, finance lease and convertible debentures (at fair value).

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at September 30, 2021, the REIT is in compliance with all such financial covenants.

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Notes to Condensed Consolidated Interim Financial Statements**

(in thousands of Canadian dollars, unless otherwise stated)

For the three and nine months ended September 30, 2021 and 2020

Unaudited

23. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2020.

24. Subsequent Events

- i. On October 12, 2021, subsidiaries of the REIT amended the New Zealand Dollar denominated secured term credit facility and increased it by \$21.9 million (NZ\$25.0 million) from a total of \$153.1 million (NZ \$175.0 million) to \$175.0 million (NZ\$200.0 million) by securing additional 16,551,724 units of Vital Trust owned indirectly by the REIT. All other terms remained unchanged.
- ii. On October 20, 2021, Vital Trust completed an equity placement of 39,655,172 units at a price of \$2.5 (NZ\$2.9) per unit for gross proceeds of approximately \$100.6 million (NZ\$115.0 million). The REIT participated in the equity placement by buying 16,551,724 units of Vital Trust for a total of \$42.0 million (NZ\$48.0 million), increasing the REITs investment interest in Vital Trust to approximately 27.7%. The REIT partially funded its investment through \$21.9 million (NZ\$25.0 million) draw on corporate facilities and using cash on hand.
- iii. On November 3, 2021, the REIT sold 26,743,006 AUHPT units to an institutional partner for total proceeds of \$57.3 million (A\$62.5 million), which represents approximately 2.8% of the investment in AUHPT, held by the REIT at period end.
- iv. On November 11, 2021, the REIT amended and refinanced the terms of one of its revolving credit facility tranches by \$60.0 million from a total of \$336.0 million to \$396.0 million.
- i. On October 15, 2021, the REIT announced a distribution of \$0.06667 per REIT unit to unitholders of record on October 29, 2021, to be paid and settled on November 15, 2021.



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