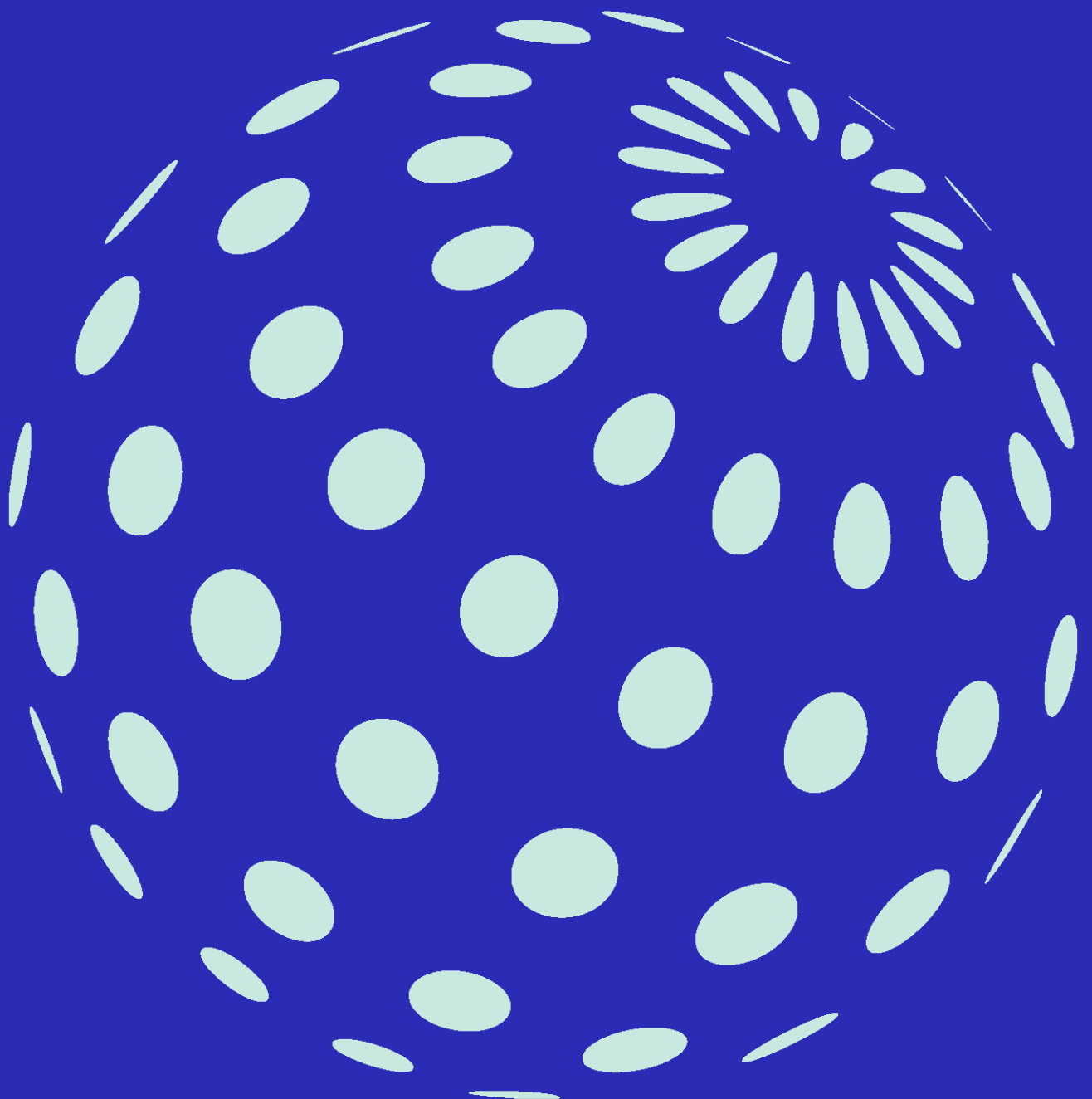


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**NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST****Condensed Consolidated Interim Balance Sheet**

(in thousands of Canadian dollars)

**Unaudited**

<b>As at</b>	<b>Note</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>			
Investment properties	5	\$ 5,663,446	\$ 6,294,305
Equity accounted investments	6	393,230	381,211
Intangible assets		40,789	47,276
Goodwill		35,907	41,671
Deferred tax assets		10,380	11,370
Financial instruments	7	37,408	15,362
Other assets	8	270,298	159,328
Accounts receivable		22,044	51,137
Assets held for sale	5	1,736,596	—
Cash and cash equivalents	15	71,951	62,741
<b>Total assets</b>		<b>\$ 8,282,049</b>	<b>\$ 7,064,401</b>
<b>Liabilities</b>			
Mortgages and loans payable	9	\$ 3,198,755	\$ 2,806,979
Convertible debentures	10	277,583	137,225
Unit-based compensation liabilities	11	24,720	26,223
Class B exchangeable units	16	18,126	23,581
Deferred tax liabilities		440,021	386,215
Financial instruments	7	710	44,319
Income tax payable		6,851	11,379
Accounts payable and accrued liabilities	16	104,052	89,963
Distributions payable		15,984	14,943
Liabilities related to assets held for sale	5	462,629	—
<b>Total liabilities</b>		<b>\$ 4,549,431</b>	<b>\$ 3,540,827</b>
<b>Unitholders' Equity</b>			
Unitholders' equity	12	2,486,818	2,392,131
Non-controlling interests	13	1,245,800	1,131,443
<b>Total liabilities and unitholders' equity</b>		<b>\$ 8,282,049</b>	<b>\$ 7,064,401</b>

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,	
		2022	2021	2022	2021
<b>Net Property Operating Income</b>					
Revenue from investment properties	14	\$ 115,780	\$ 95,554	\$ 330,283	\$ 278,245
Property operating costs		26,233	20,860	74,786	63,161
		<b>89,547</b>	<b>74,694</b>	<b>255,497</b>	<b>215,084</b>
<b>Other Income</b>					
Interest and other	8	2,691	1,773	6,729	3,529
Development revenue		—	2,577	3,746	5,742
Management fees		(4,199)	4,097	12,252	13,149
Share of profit of equity accounted investments	6	5,154	8,066	28,884	55,553
		<b>3,646</b>	<b>16,513</b>	<b>51,611</b>	<b>77,973</b>
<b>Expenses and other</b>					
Mortgage and loan interest expense		40,864	22,404	98,775	68,162
General and administrative expenses		12,421	8,381	35,560	29,777
Transaction costs		3,740	16,899	15,858	30,332
Development costs		—	2,775	3,430	5,004
Foreign exchange loss (gain)		3,822	4,628	(777)	(9,019)
		<b>60,847</b>	<b>55,087</b>	<b>152,846</b>	<b>124,256</b>
<b>Income before finance costs, net gain (loss) on financial instruments, and fair value adjustments</b>					
		<b>32,346</b>	<b>36,120</b>	<b>154,262</b>	<b>168,801</b>
Finance costs (incomes)					
Amortization of financing costs	9	(2,857)	(1,314)	(7,824)	(10,054)
Amortization of mark-to-market adjustment	9	300	105	719	314
Class B exchangeable unit distributions	16	(342)	(342)	(1,026)	(1,026)
Fair value adjustment of Class B exchangeable units	16	2,497	(308)	5,455	(530)
Accretion of financial liabilities	9	(2,003)	(2,445)	(12,049)	(7,431)
Fair value adjustment of convertible debentures	10	5,167	(516)	14,892	949
Convertible debenture issuance costs		(7,048)	—	(7,048)	—
Net gain (loss) on financial instruments	7	10,468	(1,577)	59,901	12,973
Fair value adjustment of investment properties	5	(14,743)	152,672	118,424	323,321
Fair value adjustment of deferred unit plan liabilities	11	3,239	(62)	6,855	(612)
<b>Income before taxes</b>		<b>27,024</b>	<b>182,333</b>	<b>332,561</b>	<b>486,705</b>
Current tax expense		2,813	4,378	17,240	10,570
Deferred tax expense		3,129	30,320	54,175	71,658
Income tax expense		5,942	34,698	71,415	82,228
<b>Net income from continuing operations</b>		<b>\$ 21,082</b>	<b>\$ 147,635</b>	<b>\$ 261,146</b>	<b>\$ 404,477</b>
<b>Discontinued operations</b>					
Net income from discontinued operations	3	—	25,658	—	25,658
<b>Total net income</b>		<b>\$ 21,082</b>	<b>\$ 173,293</b>	<b>\$ 261,146</b>	<b>\$ 430,135</b>
<b>Net income attributable to:</b>					
Unitholders		\$ 6,611	\$ 161,380	\$ 164,490	\$ 295,427
Non-controlling interests		14,471	11,913	96,656	134,708
		<b>\$ 21,082</b>	<b>\$ 173,293</b>	<b>\$ 261,146</b>	<b>\$ 430,135</b>

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,	
	Note	2022	2021	2022	2021
<b>Net income</b>		\$ 21,082	\$ 173,293	\$ 261,146	\$ 430,135
<b>Other comprehensive income (loss) ("OCI"):</b>					
Items that have been or may be reclassified subsequently to income (loss):					
Foreign currency translation adjustments		\$ (22,242)	\$ (39,150)	\$ (213,370)	\$ (148,522)
Realized foreign exchange gains/ (losses) on hedges		—	—	—	42,418
Fair value gain (loss) on net investment hedges		—	—	—	(42,318)
Deferred tax (expense)/recovery		1	2	1	6,477
Current tax (expense)/recovery		—	—	289	(6,298)
<b>Other comprehensive income (loss), net of tax</b>		<b>(22,241)</b>	<b>(39,148)</b>	<b>(213,080)</b>	<b>(148,243)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>\$ (1,159)</b>	<b>\$ 134,145</b>	<b>\$ 48,066</b>	<b>\$ 281,892</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Unitholders		\$ 454	\$ 128,461	\$ 31,089	\$ 201,879
Non-controlling interests		(1,613)	5,684	16,977	80,013
		<b>\$ (1,159)</b>	<b>\$ 134,145</b>	<b>\$ 48,066</b>	<b>\$ 281,892</b>

*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 13)	Total Equity
<b>Balance, December 31, 2021</b>		\$ 2,290,032	\$ 39,724	\$ (669,223)	\$ (291,778)	\$ 1,023,376	\$ 2,392,131	\$ 1,131,443	\$ 3,523,574
Public offering of units, net of issuance costs	12	164,270	—	—	—	—	164,270	122,200	286,470
Private placement of units	11, 15	15,000	—	—	—	—	15,000	—	15,000
Units issued through distribution reinvestment plan	11	24,867	—	—	—	—	24,867	2,514	27,381
Units issued on exercise of unit-based compensation	11	811	—	—	—	—	811	—	811
Distributions		—	—	(141,349)	—	—	(141,349)	(27,334)	(168,683)
Foreign currency translation adjustments		—	—	—	(133,481)	—	(133,481)	(79,889)	(213,370)
Other comprehensive income (loss), excluding currency translation adjustments		—	—	—	79	—	79	210	289
Net income		—	—	—	—	164,490	164,490	96,656	261,146
<b>Balance, September 30, 2022</b>		\$ 2,494,980	\$ 39,724	\$ (810,572)	\$ (425,180)	\$ 1,187,866	\$ 2,486,818	\$ 1,245,800	\$ 3,732,618

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Unitholders' Equity	Non-Controlling Interests (note 13)	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		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 unit-based compensation		1,708	—	—	—	—	1,708	—	1,708
Conversion of convertible debenture into units		63,333	—	—	—	—	63,333	—	63,333
Acquisition of control of subsidiary		—	—	—	—	—	—	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 currency 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

*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	2022	2021	2022	2021
<b>Cash provided by (used in):</b>					
<b>Operating activities</b>					
Net income		\$ 21,082	\$ 147,635	\$ 261,146	404,477
Adjustments for:					
Income tax expense		5,942	34,698	71,415	82,228
Income taxes paid		(5,771)	(14,032)	(20,170)	(23,272)
Amortization of other assets		301	266	1,050	994
Mortgage and loan interest accrued		40,864	22,404	98,775	68,162
Mortgage and loans interest paid		(34,822)	(16,383)	(87,505)	(64,586)
Finance costs	15	4,286	4,820	6,881	17,778
Interest income		(2,691)	(1,773)	(6,729)	(3,529)
Share of profit of equity accounted investments	6	(5,154)	(8,066)	(28,884)	(55,553)
Unrealized foreign exchange loss (gain)		3,653	4,430	1,268	(12,013)
Fair value adjustment of investment properties	5	14,743	(152,672)	(118,424)	(323,321)
Fair value loss (gain) on financial instruments	7	(10,468)	1,577	(59,901)	(12,973)
Transaction costs		3,740	16,899	15,858	30,332
Fair value adjustment of deferred unit plan liability		(3,239)	62	(6,855)	612
Unit-based compensation expense	11	2,023	2,168	7,228	7,209
Redemption of units issued under deferred unit plan		(595)	(664)	(4,388)	(1,860)
Changes in non-cash working capital balances	15	32,405	(17,104)	38,590	(18,592)
<b>Cash provided by (used in) operating activities</b>		<b>66,299</b>	<b>24,265</b>	<b>169,355</b>	<b>96,093</b>
<b>Investing activities</b>					
Acquisitions of investment properties	4	(109,506)	(33,102)	(1,043,692)	(377,518)
Additions to investment properties	5	(55,491)	(22,405)	(116,677)	(101,064)
Net proceeds on disposal of investment properties	—	5,500	—	6,418	44,908
Contributions in equity accounted investments	6	(250)	(2,174)	(17,805)	(9,317)
Investment in financial asset	7, 8	(2,127)	(49,919)	(130,689)	(160,191)
Net investment in financial instruments	7	—	—	—	—
Transaction costs and deposits attributable to investment activities		(94)	(27,234)	(12,654)	(57,247)
(Acquisitions) and dispositions of subsidiaries, net of cash received or transferred on sale	3	—	(33,336)	—	(53,548)
Distribution income	6	7,008	3,250	19,428	16,758
Cash interest received		505	322	1,181	905
Additions to furniture and fixtures		(95)	(137)	(513)	(255)
Disposition of discontinued operations	3	—	—	—	—
Receipts (payments) from foreign exchange contracts		(196)	297	(467)	299
Net decrease (increase) to restricted cash		—	—	—	—
<b>Cash provided by (used in) investing activities</b>		<b>(154,746)</b>	<b>(164,438)</b>	<b>(1,295,470)</b>	<b>(696,270)</b>

*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 (cont.)

**(in thousands of Canadian dollars)****Unaudited**

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2022	2021	2022	2021
<b>Financing activities</b>					
Mortgage and loan proceeds	9	186,470	218,528	1,678,493	1,030,799
Repayment of mortgages	9	(196,005)	(10,288)	(829,190)	(748,850)
Issuance (redemption) of convertible debentures, net of issuance cost	10	148,202	—	148,202	(13,835)
Proceeds from issuance of units, net of issuance costs	12, 13	(335)	24,872	301,470	429,693
Financing fees paid		(1,176)	162	(7,942)	(16,443)
Distributions paid		(39,361)	(36,216)	(115,441)	(99,881)
Class B exchangeable units distributions paid		(342)	(342)	(1,026)	(1,026)
Distributions paid to non-controlling interests		(6,772)	(5,417)	(24,817)	(17,102)
<b>Cash provided by (used in) financing activities</b>		<b>90,681</b>	<b>191,299</b>	<b>1,149,749</b>	<b>563,355</b>
<b>Net change in cash and cash equivalents</b>		<b>2,234</b>	<b>51,126</b>	<b>23,634</b>	<b>(36,822)</b>
<b>Effect of foreign currency translation</b>		<b>(4,945)</b>	<b>(1,663)</b>	<b>(14,431)</b>	<b>(1,550)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,711)</b>	<b>49,463</b>	<b>9,203</b>	<b>(38,372)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>74,614</b>	<b>56,271</b>	<b>62,700</b>	<b>144,106</b>
<b>Cash and cash equivalents, end of period</b>	15	<b>\$ 71,903</b>	<b>\$ 105,734</b>	<b>\$ 71,903</b>	<b>\$ 105,734</b>

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

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**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, 2022 and 2021

Unaudited

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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 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, 2021. These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on November 15, 2022.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, assets held for sale and financial assets and liabilities including financial instruments, convertible debentures, derivative financial instruments, Class B exchangeable units and units under unit-based compensation plans, which are measured and reported at their 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 stated and followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2021.

**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, 2022 and 2021

Unaudited

**3. Aspen Group - Business Combination and Discontinued Operations**

In 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. As part of the acquisition, 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 a receivership process at a discounted price as compared to its estimated fair market value, resulting in a bargain purchase gain.

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)
<b>Net assets acquired</b>	<b>\$</b>	<b>60,105</b>
<u>Purchase Consideration</u>		
<b>Cash paid</b>	<b>\$</b>	<b>38,781</b>
<b>Bargain purchase gain</b>	<b>\$</b>	<b>21,324</b>

Discontinued operations

The Aspen Group's hospital operations were acquired by the REIT exclusively with a view of subsequent disposal. The eight hospital operators acquired met the definition of a disposal group and the related requirements for presentation as discontinued operations. The REIT did not have a hospital operations segment prior to the transaction. The bargain purchase gain on acquisition and the post-acquisition hospital operating results have been presented as income from discontinued operations up to the date of disposition.

For the three and nine months ended September 30 2021, the REIT expensed \$8.5 million of transaction costs relating to this acquisition in profit and loss.

*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, 2022 and 2021

Unaudited

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 remained as tenants in respect of the investment property owned by the REIT. As at December 31, 2021, the remaining two properties were sold which resulted to a net gain of \$39.6 million for all eight properties.

**4. Investment Property Acquisitions**

During the nine months ended September 30, 2022, the following investment property acquisitions were completed:

<b>Segment</b>	<b>Acquisition Cost <sup>(i)</sup></b>		<b>Property specific debt</b>
Europe	\$	12,069	\$ 5,618
Australasia		245,927	—
Americas		785,696	462,629
<b>Total</b>	<b>\$</b>	<b>1,043,692</b>	<b>\$ 468,247</b>

Acquisition costs include transaction costs that were capitalized totaling \$22.6 million, including internal allocation of investment resources, attributable to acquiring the investment property assets.

On April 14, 2022, the REIT acquired 27 healthcare properties in the United States of America (the "US Portfolio") for total acquisition cost of \$775.2 million, which is included as part of the Americas segment. Located across 10 states, the US portfolio consists of 15 medical office buildings and 12 hospitals. These investment properties have been classified as assets held for sale commencing as of June 30, 2022 (note 5).

During the nine months ended September 30, 2022, \$245.9 million of acquisition in Australasia are comprised of \$72.6 million related to development lands and four income producing properties for total acquisition costs of \$173.3 million.

**5. Investment Properties**

<b>As at</b>	<b>September 30, 2022</b>		<b>December 31, 2021</b>
Balance, beginning of year	\$	6,294,305	\$ 5,262,063
Acquisition of investment properties (note 4)		1,043,692	674,587
Disposition of investment properties		(6,419)	(56,577)
Additions to investment properties		116,677	146,047
Increase in straight line rents		2,823	1,934
Reclassified as assets held for sale		(1,703,765)	—
Right of use asset addition		155	108
Fair value adjustments		118,424	513,986
Foreign currency translation		(202,446)	(247,843)
<b>Balance, end of period</b>	<b>\$</b>	<b>5,663,446</b>	<b>\$ 6,294,305</b>

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, 2022 and 2021

Unaudited

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 estimated fair values of the investment properties as at September 30, 2022 and December 31, 2021 were determined using internal valuation models incorporating available market evidence and the results of valuations performed by independent third party appraisers. Significant inputs, assumptions and a number of methods are used by the REIT in determining the estimated 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 key valuation metrics for investment properties by region are set out in the following table:

<b>As at September 30, 2022</b>			
	<u>Americas</u>	<u>Europe</u>	<u>Australasia</u>
Discount rate - range	5.3% - 8.3%	4.7% - 9.4%	5.0% - 8.3%
Discount rate - weighted average	7.2%	5.5%	6.1%
Terminal capitalization rate - range	4.8% - 7.8%	4.1% - 7.9%	4.3% - 7.5%
Terminal capitalization rate - weighted average	6.5%	5.0%	4.9%
Overall capitalization rate - range	3.4% - 10.3%	3.7% - 6.9%	4.0% - 8.4%
Overall capitalization rate - weighted average	6.1%	4.6%	4.6%
<b>As at December 31, 2021</b>			
	<u>Americas</u>	<u>Europe</u>	<u>Australasia</u>
Discount rate - range	5.3% - 8.5%	4.8% - 6.3%	5.0% - 8.0%
Discount rate - weighted average	7.1%	5.4%	6.0%
Terminal capitalization rate - range	4.8% - 8.0%	4.3% - 7.5%	4.3% - 7.3%
Terminal capitalization rate - weighted average	6.6%	5.0%	5.0%
Overall capitalization rate - range	3.4% - 10.0%	3.7% - 6.4%	4.0% - 8.1%
Overall capitalization rate - weighted average	6.4%	4.6%	4.7%

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

<b>Capitalization rate sensitivity increase/ (decrease)</b>	<b>Weighted average overall capitalization rate</b>	<b>Estimated fair value of investment properties (in millions of Canadian dollars)</b>	<b>Fair value variance (in millions of Canadian dollars)</b>	<b>% Change</b>
(0.75)%	4.50 %	\$ 6,809	\$ 1,145	20.0 %
(0.50)%	4.75 %	\$ 6,384	\$ 721	13.0 %
(0.25)%	5.00 %	\$ 6,005	\$ 341	6.0 %
— %	5.25 %	\$ 5,663	—	— %
0.25 %	5.50 %	\$ 5,355	\$(308)	(5.0)%
0.50 %	5.75 %	\$ 5,075	\$(589)	(10.0)%
0.75 %	6.00 %	\$ 4,819	\$(844)	(15.0)%

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 each investment property is appraised at least once over a five-year period. The REIT's internal valuation models incorporate the results of valuations performed by independent third-party appraisers. During three and nine months ended

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September 30, 2022, investment properties with an aggregate estimated fair value of \$0.1 billion and \$4.4 billion, respectively representing approximately 78.1% of its portfolio, (for the three and nine months ended months ended September 30, 2021 \$0.7 billion and \$2.5 billion, respectively, 56.1% of the portfolio) were valued by independent third party appraisers. As at December 31, 2021 investment properties with an aggregate estimated fair value of \$6.1 billion representing approximately 96.2% of its portfolio, were valued by independent third party appraisers.

During the three months ended September 30, the REIT continue to actively market the US Portfolio and UK healthcare properties ("UK Portfolio") to parties interested in forming a joint arrangement. The portfolios are expected to be sold to a joint arrangement within the next year where the REIT is expected to retain a non-controlling interest in the properties and related mortgages. Accordingly, the REIT classified the US Portfolio and UK Portfolio with a fair value of \$830.2 million and \$906.4 million, respectively, as assets held for sale. Liabilities associated with the US Portfolio investment properties as at September 30, 2022 of \$462.6 million were concurrently classified as liabilities held for sale. The REIT is expected to use proceeds generated from sale of the US Portfolio and the UK portfolio to partially repay corporate credit facilities that have an outstanding term of less than 12 months.

### 6. 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 income (loss) attributable to each co-owners' equity ownership percentage.

On May 10, 2022, the REIT entered into a joint venture agreement with its existing JV partner to form a second Australian JV, NorthWest Australia Hospital Investment Galaxy 2 Trust, with a total initial commitment of \$2.1 billion (A\$2.4 billion) of debt and equity. The JV is 70% owned by the JV partner, with the REIT owning the remaining 30% interest. Capital commitments are consistent with the relative ownership levels of the venturers. As at September 30, 2022, there has been no funding by the venturers to date.

As at September 30, 2022, the total equity commitment to separate Australian and European joint ventures previously established is approximately \$3.3 billion and \$2.7 billion, respectively, less funding to date of \$2.4 billion and \$0.6 billion, respectively, which includes a 30% participation interest by the REIT in the aggregate.

<b>Equity Accounted Investments</b>	<b>Ownership Interest</b>	<b>Location</b>
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
NorthWest Australia Hospital Investment Galaxy 2 Trust	30%	Australia

The REIT's investments in its initial Australian JV arrangements, where capital funding has been deployed, were all governed under the same investment framework as at September 30, 2022, 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 NorthWest Australia HSO Trust, NorthWest Australia Hospital Investment Trust, and Northwest Healthcare Properties Australia REIT ("AREIT") 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 by region:

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<b>September 30, 2022</b>		<b>Australia</b>		<b>Europe</b>		<b>Total</b>
Balance, beginning of period	\$	299,997	\$	81,214	\$	381,211
Contributions		—		17,805		17,805
Share of profit for the period		25,553		3,331		28,884
Distributions (i)		(13,300)		(3,958)		(17,258)
Foreign exchange		(11,626)		(5,786)		(17,412)
Balance, end of period	\$	300,624	\$	92,606	\$	393,230

(i) Included in accounts receivable are accrued distributions of \$4.0 million as at September 30, 2022 (December 31, 2021 - \$3.8 million).

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

		<b>September 30, 2022</b>			
		<b>Australia</b>		<b>Europe</b>	<b>Total</b>
Total assets	\$	2,195,750	\$	596,929	\$ 2,792,679
Total liabilities		1,130,939		304,044	1,434,983
Net assets		1,064,811		292,885	1,357,696
Less: Non-controlling interests		63,648		—	63,648
Net assets less non-controlling interests		1,001,163		292,885	1,294,048
REIT's ownership Interest		30.0%		30% to 33.57%	30% to 33.57%
Equity Accounted Investments	\$	300,624	\$	92,606	\$ 393,230

Included in total assets is cash of \$22.3 million and \$22.4 million in Australia and Europe, respectively (December 31, 2021 - \$15.6 million and \$7.9 million).

The REIT completed a fixed price development arrangement with the European JV, a related party, for two Netherlands properties that were under development at the time of sale to the European JV in 2021. Revenue from the development has been recognized by the REIT on a percentage of completion basis relative to the costs incurred, which were also fixed, over the term of the expected development period and payable at the completion of the development. The development projects were completed during the nine months ended September 30, 2022. The revenue related to the amounts billed by the REIT have been collected in full in respect of both projects.

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For the three months ended September 30,	2022			2021		
	Australia	Europe	Total	Australia	Europe	Total
Revenue	\$ 24,560	\$ 8,242	\$ 32,802	\$ 23,265	\$ 7,608	\$ 30,873
Interest income	1,347	—	1,347	1,267	—	1,267
<b>Total revenue</b>	<b>\$ 25,907</b>	<b>\$ 8,242</b>	<b>\$ 34,149</b>	<b>\$ 24,532</b>	<b>\$ 7,608</b>	<b>\$ 32,140</b>
<b>Expenses and fair value adjustments</b>						
Operating costs	1,848	2,006	3,854	\$ 1,678	\$ 1,323	\$ 3,001
Mortgage and loan interest expense	8,529	2,020	10,549	3,363	1,369	4,732
General and administrative expenses	855	518	1,373	249	535	784
Other	162	—	162	146	—	146
Fair value (gain) loss	2,086	(1,302)	784	(4,451)	335	(4,116)
Income tax expense	—	689	689	—	438	438
<b>Net income (loss)</b>	<b>\$ 12,427</b>	<b>\$ 4,311</b>	<b>\$ 16,738</b>	<b>\$ 23,547</b>	<b>\$ 3,608</b>	<b>\$ 27,155</b>
Non-controlling interests	750	—	750	850	—	850
<b>Net profit attributable to owners</b>	<b>11,677</b>	<b>4,311</b>	<b>15,988</b>	<b>22,697</b>	<b>3,608</b>	<b>26,305</b>
<b>Weighted average share of profit (loss)</b>	<b>30.0%</b>	<b>30% to 33.57%</b>	<b>30% to 33.57%</b>	<b>30.0%</b>	<b>30.0% to 33.6%</b>	<b>30.0% to 33.6%</b>
<b>REIT's share of income (loss)</b>	<b>\$ 3,503</b>	<b>\$ 1,650</b>	<b>\$ 5,153</b>	<b>\$ 6,809</b>	<b>\$ 1,257</b>	<b>\$ 8,066</b>
<b>For the nine months ended September 30,</b>						
	<b>2022</b>			<b>2021</b>		
	<b>Australia</b>	<b>Europe</b>	<b>Total</b>	<b>Australia</b>	<b>Europe</b>	<b>Total</b>
Revenue	\$ 76,089	\$ 25,832	\$ 101,921	\$ 73,741	\$ 23,195	\$ 96,936
Interest income	3,858	59	3,917	3,869	—	3,869
<b>Total revenue</b>	<b>\$ 79,947</b>	<b>\$ 25,891</b>	<b>\$ 105,838</b>	<b>\$ 77,610</b>	<b>\$ 23,195</b>	<b>\$ 100,805</b>
<b>Expenses and fair value adjustments</b>						
Operating costs	7,301	4,862	12,163	\$ 7,654	\$ 3,839	\$ 11,493
Mortgage and loan interest expense	16,584	4,885	21,469	10,225	3,764	13,989
General and administrative expenses	1,319	784	2,103	458	2,801	3,259
Other	471	—	471	485	—	485
Fair value (gain) loss	(34,938)	4,862	(30,076)	(109,512)	(9,494)	(119,006)
Income tax expense	—	(14)	(14)	—	4,311	4,311
<b>Net income (loss)</b>	<b>\$ 89,210</b>	<b>\$ 10,512</b>	<b>\$ 99,722</b>	<b>\$ 168,300</b>	<b>\$ 17,974</b>	<b>\$ 186,274</b>
Non-controlling interests	4,031	—	4,031	2,862	—	2,862
<b>Net profit attributable to owners</b>	<b>85,179</b>	<b>10,512</b>	<b>95,691</b>	<b>165,438</b>	<b>17,974</b>	<b>183,412</b>
<b>Weighted average share of profit (loss)</b>	<b>30.0%</b>	<b>30% to 33.57%</b>	<b>30% to 33.57%</b>	<b>30.0%</b>	<b>30.0% to 33.6%</b>	<b>30.0% to 33.6%</b>
<b>REIT's share of income (loss)</b>	<b>\$ 25,553</b>	<b>\$ 3,331</b>	<b>\$ 28,884</b>	<b>\$ 49,631</b>	<b>\$ 5,922</b>	<b>\$ 55,553</b>

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

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**7. Financial Instruments**

<b>As at</b>	<b>September 30, 2022</b>	December 31, 2021
Financial assets:		
Foreign exchange contracts	7	1,586
Interest rate swaps	37,401	510
Derivative asset	—	13,266
<b>Total financial assets</b>	<b>37,408</b>	15,362
Financial liabilities:		
Foreign exchange contracts	684	90
Interest rate swaps	26	24,608
Derivative liability	—	19,621
<b>Total financial liabilities</b>	<b>\$ 710</b>	\$ 44,319

The REIT has entered into interest rate swap contracts during the three and nine months ended September 30, 2022 with respect to certain variable rate Canadian and European mortgages, as well as portions of the Vital Trust credit facility for a total notional amount of \$734.0 million (note 9). These interest rate derivatives mature within the next 1 to 8 years and have fixed interest rates ranging from 1.04% to 5.51%.

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Fair value adjustment - interest rate swaps	\$ 10,618	\$ 3,089	\$ 60,342	\$ 22,568
Receipts/(payments) under financial instrument	(196)	297	(467)	299
Fair value adjustment - financial instruments	46	(5,989)	26	(10,255)
Fair value adjustment - financial asset	—	1,026	—	361
	<b>\$ 10,468</b>	<b>\$ (1,577)</b>	<b>\$ 59,901</b>	<b>\$ 12,973</b>

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**8. Other Assets**

As at	September 30, 2022	December 31, 2021
Investment in unlisted securities (i)	\$ 215,536	\$ 100,141
Acquisition and financing costs (ii)	19,095	22,669
Loans and mortgages receivable carried at amortized cost (iii)	9,872	10,257
Prepaid expenses	8,645	7,200
Finance lease receivable (iv)	6,674	6,802
Furniture and office equipment	3,718	4,312
Right-of-use lease assets (v)	3,375	2,536
Commodity taxes recoverable	3,236	5,260
Other	147	151
	\$ 270,298	\$ 159,328

- i. During the year ended December 31, 2021, the REIT entered into call and put derivative option agreements on behalf of itself and its Australian JV partner with an entity who held underlying units, or unlisted securities, of a separate entity in Australia. The REIT also entered into additional call and put option arrangements with various third parties who held the same unlisted securities. During the year ended December 31, 2021, the REIT acquired a non-controlling amount of these unlisted securities, through direct purchases and through partial exercises of the related options. The unlisted securities were recognized at their estimated fair value of \$215.5 million. During the nine months ended September 30, 2022, the REIT exercised its remaining share of the derivative option and, as a result, acquired unlisted securities of the same entity for total consideration of approximately \$130.7 million, including those units purchased through the exercise of call and put derivative options.

The REIT has accounted for the unlisted securities as a financial asset measured at fair value through profit and loss ("FVTPL") under IFRS 9 and accordingly recorded the investments at its estimated fair value in Canadian dollar of \$215.5 million as at September 30, 2022.

For the three and nine months ended September 30, 2022, the REIT received \$2.1 million and \$5.3 million of distribution income, respectively settled in units at the REIT's option, related to the REIT's investment in the unlisted securities and were recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss).

- ii. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.
- 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 65 years.
- v. Right-of-use lease assets are net of accumulated amortization of \$2.9 million (December 31, 2021 - \$2.4 million).

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**9. Mortgages and Loans Payable**

As at	September 30, 2022	December 31, 2021
Mortgage payable, net of financing costs	\$ 823,155	\$ 822,012
Term debt, net of financing costs	1,944,854	1,336,218
Credit facilities, net of financing costs	881,565	636,030
Lease liabilities	11,810	12,719
Total Mortgages and loans payable	\$ 3,661,384	\$ 2,806,979
Less: Liabilities related to assets held for sale (note 5)	462,629	—
<b>Mortgages and loans payable</b>	<b>\$ 3,198,755</b>	<b>\$ 2,806,979</b>
Current portion mortgages and loans payable	1,725,414	1,073,426
Non-current portion of mortgages and loans payable	\$ 1,473,341	\$ 1,733,553
<b>Mortgages and loans payable</b>	<b>\$ 3,198,755</b>	<b>\$ 2,806,979</b>

**Mortgages**

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with an estimated fair value of \$1.6 billion as at September 30, 2022 (December 31, 2021 - \$1.5 billion).

**Term debt**

As at September 30, 2022, the term debt balance without consideration of financing costs includes:

- Brazilian debt of \$176.1 million (December 31, 2021 - \$159.4 million), secured by related investment properties with an estimated fair value of \$770.5 million (December 31, 2021 - \$662.8 million);
- Australian term debt of \$202.5 million (December 31, 2021 - \$148.0 million) comprised of \$21.0 million (December 31, 2020 - \$21.8 million) term debt secured by related investment properties with an estimated fair value of \$39.9 million (December 31, 2021 - \$39.6 million) and \$110.9 million (December 31, 2021 - \$52.8 million) secured by the unlisted securities held by the REIT (note 8);
- New Zealand term debts of \$936.6 million (December 31, 2021 - \$864.0 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties held by Vital Trust; with a total estimated value of \$2.8 billion (December 31, 2021 - \$2.6 billion),
- Australasian secured term financing of \$175.3 million (December 31, 2021 - \$173.6 million) secured by 173,085,625 units (December 31, 2021 - 152,433,813 units) of Vital Trust held by the REIT; and
- US Portfolio related debt of \$462.6 million which was classified as held for sale along with the related secured investments properties (note 4).

**Credit facilities**

On April 14, 2022, the REIT's credit facility was upsized by a new non-revolving tranche for \$302.3 million with term to maturity extended to June 2023 from the initial six months term. Proceeds were used to fund a portion of the acquisition cost related to the US Portfolio.

Subsequent to September 30, 2022, the REIT repaid one of the REIT's credit facility tranches of \$409.1 million maturing in November 2022 that were classified as current mortgages and loans payable through a new financing asset level term debt (note 22).

Total revolving and non-revolving credit facilities had an outstanding balance of \$814.6 million secured by certain investment properties with an estimated fair value of \$2.0 billion (December 31, 2021 - \$1.3 billion).

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**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 as at September 30, 2022 was 65 years. In addition, the REIT has recognized lease liabilities for leases where the REIT acts as a lessee. Minimum payments under the lease and their present values are as follows:

<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Minimum lease payments payable:		
Not later than one year	\$ 1,728	\$ 1,767
Later than one year and not later than five years	4,491	5,406
Later than five years	28,751	30,108
	<b>34,970</b>	<b>37,281</b>
Future finance charges	(23,160)	(24,562)
<b>Present value of minimum lease payments</b>	<b>\$ 11,810</b>	<b>\$ 12,719</b>
Present value of minimum lease payments:		
Not later than one year	1,607	1,720
Later than one year and not later than five years	4,060	4,793
Later than five years	6,143	6,206
	<b>\$ 11,810</b>	<b>\$ 12,719</b>

As at September 30, 2022, the scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debts	Credit Facilities	Finance Lease	Total
2022 (remainder)	\$ 59,440	\$ 138,181	\$ 409,100	\$ 430	\$ 607,151
2023	138,268	840,942	474,496	1,643	1,455,349
2024	144,438	110,392	—	1,295	256,125
2025	160,743	151,396	—	903	313,042
2026	176,315	132,642	—	845	309,802
2027 & thereafter	147,294	580,302	—	6,694	734,290
	<b>\$ 826,498</b>	<b>\$ 1,953,855</b>	<b>\$ 883,596</b>	<b>\$ 11,810</b>	<b>\$ 3,675,759</b>
Financing costs	(3,343)	(9,001)	(2,031)	—	(14,375)
Liabilities related to asset held for sale	—	(462,629)	—	—	(462,629)
<b>Total</b>	<b>\$ 823,155</b>	<b>\$ 1,482,225</b>	<b>\$ 881,565</b>	<b>\$ 11,810</b>	<b>\$ 3,198,755</b>

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A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debts and credit facilities, outstanding at September 30, 2022 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value	Available to be Drawn
<b>Fixed rate</b>				
Mortgages	October 2022 - August 2031	2.80 %	\$ 764,158	\$ —
Term debts	November 2027 - June 2031	4.49 %	703,230	82,297
Total fixed rate debt			\$ 1,467,388	\$ 82,297
<b>Variable Rate</b>				
Mortgages	April 2023 - June 2030	3.85 %	62,340	—
Term debts	November 2022 - March 2029	4.65 %	1,250,625	69,018
Credit facilities	November 2022 - November 2023	5.94 %	883,596	178,664
Total variable rate debt			\$ 2,196,561	\$ 247,682
Total mortgages and loans payable, excluding the following:			\$ 3,663,949	\$ 329,979
Financing costs			(14,375)	—
Liabilities related to asset held for sale			(462,629)	—
Mark-to-market adjustment			—	—
<b>Total mortgages and loans payable, excluding lease liabilities:</b>			<b>3,186,945</b>	<b>329,979</b>
Lease liabilities			5.35 % 11,810	—
<b>Total mortgages and loans payable</b>			<b>\$ 3,198,755</b>	<b>\$ 329,979</b>

The table below summarizes the movements in the REIT's mortgages and loans, excluding finance leases, during the nine months ended September 30, 2022:

	Mortgages	Term Debts	Credit Facilities	Total
Balance, beginning of period	\$ 822,012	\$ 1,336,218	\$ 636,030	\$ 2,794,260
Repayments	(48,749)	(345,512)	(434,204)	(828,465)
Advances and refinancing proceeds	72,441	945,967	660,085	1,678,493
Reclassified as held for sale	—	(462,629)	—	(462,629)
Additional financing fees incurred	(819)	(3,491)	(3,632)	(7,942)
Amortization of finance fees	846	3,365	3,613	7,824
Amortization of mark-to-market	(719)	—	—	(719)
Accretion of financial liabilities	—	12,049	—	12,049
Foreign exchange adjustment	(21,857)	(3,742)	19,673	(5,926)
Ending balance, September 30, 2022	\$ 823,155	\$ 1,482,225	\$ 881,565	\$ 3,186,945

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The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on \$734.0 million out of \$764.2 million total variable rate mortgage debt as at September 30, 2022 (December 31, 2021 - \$630.2 million). The interest rate swaps terminate between 2022 and 2030, refer to note 7.

**10. Convertible Debentures**

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

<b>As at</b>	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
Balance, beginning of period	\$	137,225	\$	292,821
Issuance of convertible debenture		155,250		—
Conversion to REIT units (note 12)		—		(139,131)
Convertible debentures cash redemptions		—		(20,454)
Change in fair value of convertible debentures		(14,892)		3,989
Balance, end of period	\$	277,583	\$	137,225

On August 25, 2022, the REIT issued \$135 million principal amount of unsecured subordinated convertible debenture (the "Series NWH.DB.H"). On August 31 2022, the over allotment option was exercised for an additional \$20.3 million principal amount. The Series NWH.DB.H debenture bear interest at 6.25% per annum, payable semi-annually on February 28 and August 31 each year, with August 31, 2027 maturity. Each Series NWH.DB.H is convertible at the holder's option to 62.5 REIT unit per one thousand dollars principal amount of the debenture, representing a conversion price of \$16 per REIT unit. On and after September 1, 2025 and prior to maturity date, Series NWH.DB.H may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest.

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

<b>As at</b>	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
NWH.DB.G		123,575		137,225
NWH.DB.H		154,008		—
Fair Value	\$	277,583	\$	137,225
Current		123,575		—
Non-Current		154,008		137,225
	\$	277,583	\$	137,225

<b>Debentures Series</b>	<b>Conversion price per Unit (\$)</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Interest payment</b>	<b>Interest payment dates</b>
NWH.DB.G	\$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31
NWH.DB.H	\$16.00	August 31, 2027	6.25%	Semi-annual	February 28 and August 31

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**11. Unit-Based Compensation**

On April 12, 2022, the 2022 Equity Incentive Plan (the "Plan") was approved. Under the Plan, together with the existing Deferred Unit Plan, a maximum of 9,000,000 the REIT's trust units are authorized to be issued. The new Plan replaces the Deferred Unit Plan ("DUP") introduced in 2018. No further awards will be granted under the 2018 DUP prospectively. However, any awards previously granted pursuant to the DUP shall remain outstanding and continue to be governed by the terms of the 2018 DUP.

<b>As at</b>	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
Balance, beginning of period	\$	26,223	\$	24,277
Unit based compensation expense		10,579		12,582
Exercised and paid in cash		(4,388)		(11,475)
Exercised and settled in Trust Units		(811)		(1,777)
Fair value adjustment		(6,855)		2,672
Foreign exchange		(28)		(56)
Balance, end of period	\$	24,720	\$	26,223

The REIT has three separate unit-based incentive plans currently in place:

**Deferred Units**

The deferred units granted under the 2022 Equity Incentive Plan and the previous DUP plan are administered by the Compensation, Governance and Nominating Committee. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are classified as a financial liability until redeemed.

Deferred unit's 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 that ranges from 3 to 5 years. At September 30, 2022, 19,407,936 unvested deferred units with a fair value of \$21.9 million are expected to vest between 2022 and 2026. 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.

(a) Units outstanding under the deferred unit plans:

<b>As at September 30, 2022</b>	<b>REIT</b>	<b>Vital Trust</b>
Balance, beginning January 1, 2021	2,373,367	217,204
Granted	821,337	—
Exercised and paid in cash	(325,763)	—
Exercised and paid in REIT units	(60,881)	—
Distribution entitlement	122,423	5,757
Balance, as at September 30, 2022	2,930,483	222,961
Units vested but not exercised	1,288,604	203,466

For the three and nine months ended September 30, 2022, the REIT granted 18,861 and 821,337 DUP units with a grant-date fair value of \$0.2 million and \$11.3 million, respectively (for the three and nine months ended months ended September 30, 2021 - 812,593 and 827,937 DUP units with a fair value of \$10.6 and \$10.8 million).

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**Restricted Units**

The REIT grants restricted units ("RUs") under the Plan. The RUs granted vest 100% on the fifth anniversary of their respective grant dates and are subject to forfeiture until the recipients of the awards have held office in their current position with or provided services to the REIT for a specified period of time.

RUs are recognized based on the grant date fair value and re-measured at each reporting date. The grant agreements provide that the awards will be satisfied upon vesting for: (i) trust units issued from REIT treasury, or (ii) a cash payment as determined by the REIT, with the result that the awards are classified as cash-settled unit-based payments and presented as liabilities.

The restricted units may, if specified at the time of grant, accrue cash distributions during the vesting period and accrued distributions will be paid when these units vest.

	<b>2022</b>	
	<b>Number</b>	<b>Weighted Average Grant Date Fair Value per unit</b>
New grants and distributions	193,003	\$ 12.12
<b>RUs outstanding, September 30</b>	<b>193,003</b>	<b>\$ 12.12</b>

The fair value of the outstanding RUs was \$0.1 million as at September 30, 2022 and is based on the market price of the REIT's unit. The fair value is adjusted for changes in the market price of the REIT's units and recorded as a liability with a corresponded compensation expense in general and administrative expenses in the period in which they occur.

**Performance Units**

The REIT grants performance units ("PUs") under the Plan with a three-year performance period. The performance units are and will be subject to both non-market and market conditions consisting of both absolute and relative performance over a three-year period and settled for trust units upon vesting.

	<b>2022</b>	
	<b>Number</b>	<b>Weighted Average Grant Date Fair Value per unit</b>
New grants and distributions	283,090	\$ 12.12
<b>PUs outstanding, September 30</b>	<b>283,090</b>	<b>\$ 12.12</b>

The fair value of the outstanding PUs was \$0.4 million as at September 30, 2022 and is calculated using a Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factors based on the total unitholder return ("TUR") of the REIT's units relative to the S&P/TSX REIT Index and relative to a comparative group of peer companies.

Grant date	July 4, 2022
PUs granted	283,090
Weighted average term to expiry	2.8
Average volatility rate	30.0 %
Weighted average risk free interest rate	3.1 %

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The REIT's compensation expense recognized in general and administrative expense was:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Deferred Units	1,634	2,149	10,188	10,627
Restricted Units	114	—	114	—
Performance Units	277	—	277	—
Unit-based compensation expense	2,025	2,149	10,579	10,627
Fair value remeasurement expense: included in the above:				
Deferred Units	(3,390)	58	(7,006)	800
Restricted Units	(14)	—	(14)	—
Performance Units	167	—	167	—
Total fair value remeasurement	(3,237)	58	(6,853)	800

**12. 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.

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The following table shows the changes in REIT units:

	REIT units	Amount
<b>Balance, December 31, 2021</b>	<b>224,127,135</b>	<b>\$ 2,290,032</b>
Units issued through distribution reinvestment plan (i)	1,972,308	24,867
Units issued under deferred unit plan (note 11)	60,881	811
Units issued pursuant to equity offering (ii)	12,500,500	172,507
Private Placement of units (note 16)	1,086,955	15,000
Units issuance costs	—	(8,237)
<b>Balance, September 30, 2022</b>	<b>239,747,779</b>	<b>\$ 2,494,980</b>

- (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% as compared to the REIT’s unit trading value. For the three and nine months ended September 30, 2022 the REIT’s DRIP participation rate was 17.9% (three and nine months ended months ended September 30, 2021 - 16.3% and 15.9%).
- (ii) On March 31, 2022, the REIT completed a public offering of 12,500,500 units at a price of \$13.80 per unit for gross proceeds of \$172.5 million, which included full exercise of the over-allotment option granted to the underwriters, whereby an additional 1,630,500 units were issued at a price of \$13.80 per unit.

**13. Non-Controlling Interests**

The following tables present summarized accounts for Vital Trust and the investment property Fritz-Lang-Platz 6, held by a subsidiary of the REIT, NWI Gesundheitsimmobilien GmbH & Co. KG, where a non-controlling or partial interest is owned by a third party.

In May 2022, Vital Trust completed an equity placement of 67.8 million units for \$173.7 million (NZ\$200.0 million) in which the REIT participated by acquiring 18.6 million units for a total of \$47.8 million (NZ\$55.0 million) in order to maintain its relative interest in Vital Trust .

On August 31, 2022, Vital Trust issued 5,878,511 ordinary units to the REIT for \$12.8 million to settle the incentive fee owed to the REIT which resulted in a relative change in non-controlling interest..

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

As at September 30, 2022	Vital Trust		Fritz-Lang-Platz 6		Total
REIT’s ownership interest	28.2 %		94.9 %		
<b>Total assets</b>	<b>\$ 2,842,861</b>	<b>\$</b>	<b>24,273</b>	<b>\$</b>	<b>2,867,134</b>
<b>Total liabilities</b>	<b>1,113,956</b>		<b>7,501</b>		<b>1,121,457</b>
<b>Net assets</b>	<b>\$ 1,728,905</b>	<b>\$</b>	<b>16,772</b>	<b>\$</b>	<b>1,745,677</b>
<b>Attributable to:</b>					
Unitholders of the REIT	483,626		16,251		499,877
<b>Non-controlling interests</b>	<b>1,245,279</b>		<b>521</b>		<b>1,245,800</b>
	<b>\$ 1,728,905</b>	<b>\$</b>	<b>16,772</b>	<b>\$</b>	<b>1,745,677</b>

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	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
<b>Revenue from investment properties</b>	\$ 33,795	\$ 402	\$ 34,197	\$ 29,792	\$ 427	\$ 30,219
Net income (loss) attributable to:						
Unitholders of the REIT	5,116	312	5,428	6,715	187	6,902
Non-controlling interests	14,463	8	14,471	11,767	11	11,778
<b>Net income (loss)</b>	\$ 19,579	\$ 320	\$ 19,899	\$ 18,482	\$ 198	\$ 18,680
<b>Total comprehensive income (loss) attributable to:</b>						
Unitholders of the REIT	(2,642)	130	(2,512)	4,452	1	4,453
Non-controlling interests	(1,623)	7	(1,616)	5,616	11	5,627
<b>Total comprehensive income (loss)</b>	\$ (4,265)	\$ 137	\$ (4,128)	\$ 10,068	\$ 12	\$ 10,080
<b>Distributions attributable to non-controlling interests</b>	\$ 9,163	\$ —	\$ 9,163	\$ 7,669	\$ —	\$ 7,669
	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
<b>Revenue from investment properties</b>	\$ 98,683	\$ 1,210	\$ 99,893	\$ 86,256	\$ 1,282	\$ 87,538
Net income (loss) attributable to:						
Unitholders of the REIT	40,814	507	41,321	52,976	536	53,512
Non-controlling interests	96,629	27	96,656	134,543	30	134,573
<b>Net income (loss)</b>	\$ 137,443	\$ 534	\$ 137,977	\$ 187,519	\$ 566	\$ 188,085
<b>Total comprehensive income (loss) attributable to:</b>						
Unitholders of the REIT	10,322	(149)	10,173	33,734	(321)	33,413
Non-controlling interests	16,983	(8)	16,975	79,958	(2)	79,956
<b>Total comprehensive income (loss)</b>	\$ 27,305	\$ (157)	\$ 27,148	\$ 113,692	\$ (323)	\$ 113,369
<b>Distributions attributable to non-controlling interests</b>	\$ 27,334	\$ —	\$ 27,334	\$ 23,113	\$ —	\$ 23,113

The difference between the net income (loss) and total comprehensive income (loss) reflects the movements during the three and nine months ended September 30, 2022, attributable to the REIT's foreign currency translation of Vital Trust's, being foreign operation of the REIT.

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	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
<b>Cash flows from (used in):</b>						
Operating	\$ 19,043	\$ (133)	\$ 18,910	\$ (13,544)	\$ (202)	\$ (13,746)
Investing	(141,461)	(5)	(141,466)	(104,028)	—	(104,028)
Financing	111,754	222	111,976	115,714	368	116,082
Effect of foreign currency translation	(804)	(5)	(809)	3,333	(4)	3,329
<b>Net change in cash</b>	<b>\$ (11,468)</b>	<b>\$ 79</b>	<b>\$ (11,389)</b>	<b>\$ 1,475</b>	<b>\$ 162</b>	<b>\$ 1,637</b>
	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Vital Trust	Fritz-Lang-Platz 6	Total	Vital Trust	Fritz-Lang-Platz 6	Total
<b>Cash flows from (used in):</b>						
Operating	\$ 65,689	\$ 96	\$ 65,785	\$ (7,514)	\$ (97)	\$ (7,611)
Investing	(317,731)	(63)	(317,794)	(230,635)	(1)	(230,636)
Financing	254,998	(57)	254,941	234,708	240	234,948
Effect of foreign currency translation	(3,493)	—	(3,493)	3,823	(2)	3,821
<b>Net change in cash</b>	<b>\$ (537)</b>	<b>\$ (24)</b>	<b>\$ (561)</b>	<b>\$ 382</b>	<b>\$ 140</b>	<b>\$ 522</b>
<b>Cash ending balance</b>	<b>\$ 6,241</b>	<b>\$ 58</b>	<b>\$ 6,299</b>	<b>\$ 6,156</b>	<b>\$ 159</b>	<b>\$ 6,315</b>

The REIT is subject to restrictions over the extent to which it can access cash 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 28.2% and 94.9%, respectively.

## 14. Rental Revenue

The components of rental revenue are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Rental income	\$ 107,336	\$ 74,879	\$ 276,945	\$ 216,195
Operating cost recoveries	11,426	16,398	43,131	43,740
Property tax and insurance recoveries	9,930	2,587	19,585	13,446
Other revenue	3,208	1,690	6,742	4,864
<b>Rental revenue</b>	<b>\$ 131,900</b>	<b>\$ 95,554</b>	<b>\$ 346,403</b>	<b>\$ 278,245</b>

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**15. Supplemental Cash Flow Information**

(i) Cash, cash equivalents and restricted cash

<b>As at</b>	<b>September 30, 2022</b>		December 31, 2021	
Cash and cash equivalents	<b>\$</b>	<b>71,903</b>	<b>\$</b>	62,700
Restricted cash		<b>48</b>		41
Total cash, cash equivalents and restricted cash	<b>\$</b>	<b>71,951</b>	<b>\$</b>	62,741

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term debt (note 9).

(ii) Changes in Non-Cash Working Capital Balances

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Accounts receivable	<b>\$ 9,562</b>	\$ (26,295)	<b>\$ 25,369</b>	\$ (38,700)
Other assets	<b>(2,530)</b>	1,537	<b>6,824</b>	(3,883)
Accounts payable and accrued liabilities	<b>25,373</b>	7,654	<b>6,397</b>	23,991
Changes in non-cash working capital balances	<b>\$ 32,405</b>	\$ (17,104)	<b>\$ 38,590</b>	\$ (18,592)

(iii) Non-Cash Financing and Investing Activities

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Non cash distributions to Unitholders under the DRIP (note 12)	<b>\$ 8,498</b>	\$ 7,147	<b>\$ 24,867</b>	\$18,960
Units issued under deferred unit plan (note 11)	<b>—</b>	1,251	<b>811</b>	1,708
Non cash distributions from unlisted securities under dividend reinvestment program (note 8)	<b>—</b>	—	<b>5,284</b>	—
Non-cash conversion of convertible debentures	<b>—</b>	11	<b>—</b>	63,333
Non-cash distribution from European JV (note 6)	<b>1,352</b>	—	<b>3,958</b>	—

(iv) Finance costs (incomes)

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Distributions on Exchangeable Units	<b>\$ 342</b>	\$ 342	<b>\$ 1,026</b>	\$ 1,026
Accretion of financial liabilities	<b>2,003</b>	2,445	<b>12,049</b>	7,431
Amortization of deferred financing costs	<b>2,857</b>	1,314	<b>7,824</b>	10,054
Amortization of marked to market adjustment	<b>(300)</b>	(105)	<b>(719)</b>	(314)
Fair value adjustment of Convertible Debentures	<b>(5,167)</b>	516	<b>(14,892)</b>	(949)
Fair value adjustment of Class B exchangeable units	<b>(2,497)</b>	308	<b>(5,455)</b>	530
Total finance costs (income)	<b>\$ 4,286</b>	\$ 4,820	<b>\$ 6,881</b>	\$ 17,778

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**16. Related Party Transactions**

- (a) The Class B exchangeable units of NorthWest International Healthcare Properties LP ("NWI LP") are entirely held by Northwest Value Partners Inc. and affiliates ("NWVP"). 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. 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 trading price of the REIT's units at the reporting date.

Distributions declared on the Class B exchangeable units of NWI LP totaled \$0.3 and \$1.0 million for the three and nine months ended September 30, 2022 (for the three and nine months ended months ended September 30, 2021 - \$0.3 and \$1.0 million) and have been accounted for as finance costs in profit or loss.

On May 31, 2022, the REIT completed a private placement of 1,086,955 REIT Units to NWVP for gross proceeds of \$15.0 million in connection to the public offering on March 31, 2022 (note 12).

As at September 30, 2022, NWVP indirectly owned approximately 9.9% of the REIT through a combination of Trust Units of the REIT and Class B exchangeable units, approximately 9.0% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of all of its units under the unit-based compensation plan (as at December 31, 2021 - 13.3% and 11.7% respectively).

As at September 30, 2022, Paul Dalla Lana held a total of of 172,774 REIT deferred units (December 31, 2021 - 93,669) of which 172,566 unvested deferred units are scheduled to vest between 2024 and 2026 (December 31, 2021 - 93,028 scheduled to vest between 2024 and 2026). During nine months ended September 30, 2022, 37,170 deferred units valued at \$0.5 million were exercised and paid in cash by the REIT.

- (b) As at September 30, 2022, the REIT had \$0.1 million owing to NWVP (December 31, 2021 - \$0.1 million that was included in accounts payable and accrued liabilities).

The REIT incurred charges to NWVP during the three months ended September 30, 2022, of \$0.2 million, gross of HST, which includes expense reimbursement \$0.1 million. The aforementioned charges 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, 2022, of \$2.3 million, gross of HST, which includes annual compensation for CEO services for \$1.3 million, expense reimbursement of \$0.6, and the cost NWVP personnel seconded to the REIT totaling \$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, 2022, the REIT made total payments to NWVP of \$0.2 million and \$2.3 million respectively, to settle the obligations noted above.

- (c) At September 30, 2022, 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, 2021 - \$0.1 million), which were settled subsequent to period end.

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**17. Segmented Information**

The REIT operates in one industry segment being the healthcare real estate industry; however the REIT monitors and operates its European, Americas and Australasian operations separately. The CEO assesses the performance of each of these operating segments based on a measure of operating income (loss). The REIT includes its corporate assets and liabilities and related operating results as part of the Americas segment. The accounting policies for each of the segments are the same as those for the REIT.

In the second quarter of 2022, the REIT acquired a portfolio of 27 healthcare real estate assets, the US Portfolio (note 4), in the United States of America. Concurrent with the acquisition, the REIT revised its internal reporting structure and performance reports to the CEO such that it combines its Canadian, Brazilian and US investment properties and related operations. Accordingly segment information for the periods ended September 30, 2021 has been revised to reflect this change.

During the three and nine months ended September 30, 2022, one tenant in Brazil accounted for 11% (for the three and nine months ended September 30, 2021 - 11%) of the total revenue from investment properties.

<b>As at September 30, 2022</b>	<b>Americas</b>	<b>Europe</b>	<b>Australasia</b>	<b>Total</b>
Investment properties	\$ 2,004,665	\$ 671,016	\$ 2,987,765	\$ 5,663,446
Mortgages and loans payable	\$ 1,739,335	\$ 319,763	\$ 1,139,657	\$ 3,198,755
<b>As at December 31, 2021</b>	<b>Americas</b>	<b>Europe</b>	<b>Australasia</b>	<b>Total</b>
Investment properties	\$ 1,881,521	\$ 1,687,268	\$ 2,725,516	\$ 6,294,305
Mortgages and loans payable	\$ 1,474,737	\$ 319,377	\$ 1,012,865	\$ 2,806,979
<b>For the three months ended September 30, 2022</b>	<b>Americas</b>	<b>Europe</b>	<b>Australasia</b>	<b>Total</b>
<b>Operating Income</b>				
Revenue from investment properties	\$ 57,278	\$ 21,779	\$ 36,723	\$ 115,780
Property operating costs	17,703	3,813	4,717	26,233
<b>Net property operating income</b>	<b>39,575</b>	<b>17,966</b>	<b>32,006</b>	<b>89,547</b>
Interest and other	199	2,484	8	2,691
Development revenue	—	—	—	—
Management fees	—	(4,878)	679	(4,199)
Share of income from equity accounted investment	—	3,504	1,650	5,154
	199	1,110	2,337	3,646
Mortgage and loan interest expense	30,189	1,296	9,379	40,864
General and administrative expenses	5,848	2,601	3,972	12,421
Transaction costs	2,748	1,747	(755)	3,740
Development costs	—	—	—	—
Foreign exchange (gain) loss	2,740	11	1,071	3,822
	41,525	5,655	13,667	60,847
<b>Operating income (loss)</b>	<b>\$ (1,751)</b>	<b>\$ 13,421</b>	<b>\$ 20,676</b>	<b>\$ 32,346</b>

# 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, 2022 and 2021

Unaudited

For the three months ended September 30, 2021	Americas	Europe	Australasia	Total
<b>Operating Income</b>				
Revenue from investment properties	\$ 41,612	\$ 21,240	\$ 32,702	\$ 95,554
Property operating costs	13,931	2,465	4,464	20,860
<b>Net property operating income</b>	<b>27,681</b>	<b>18,775</b>	<b>28,238</b>	<b>74,694</b>
Interest and other	67	39	1,667	1,773
Development revenue	—	2,577	—	2,577
Management fees	—	617	3,480	4,097
investment	—	1,257	6,809	8,066
	67	4,490	11,956	16,513
Mortgage and loan interest expense	14,925	1,231	6,248	22,404
General and administrative expenses	4,309	1,854	2,218	8,381
Transaction costs	3,841	9,231	3,827	16,899
Development costs	—	2,775	—	2,775
Foreign exchange (gain) loss	4,357	11	260	4,628
	27,432	15,102	12,553	55,087
<b>Operating income (loss)</b>	<b>\$ 316</b>	<b>\$ 8,163</b>	<b>\$ 27,641</b>	<b>\$ 36,120</b>
<b>For the nine months ended September 30, 2022</b>				
	<b>Americas</b>	<b>Europe</b>	<b>Australasia</b>	<b>Total</b>
<b>Operating Income</b>				
Revenue from investment properties	\$ 156,042	\$ 66,562	\$ 107,679	\$ 330,283
Property operating costs	49,637	10,444	14,705	74,786
<b>Net property operating income</b>	<b>106,405</b>	<b>56,118</b>	<b>92,974</b>	<b>255,497</b>
Other income				
Interest and other	424	10	6,295	6,729
Development revenue	—	3,746	—	3,746
Management fees	—	2,586	9,666	12,252
investment	—	3,331	25,553	28,884
	424	9,673	41,514	51,611
Mortgage and loan interest expense	68,787	4,434	25,554	98,775
General and administrative expenses	18,166	5,794	11,600	35,560
Transaction costs	7,537	8,560	(239)	15,858
Development costs	—	3,430	—	3,430
Foreign exchange (gain) loss	(2,880)	24	2,079	(777)
	91,610	22,242	38,994	152,846
<b>Operating income (loss)</b>	<b>\$ 15,219</b>	<b>\$ 43,549</b>	<b>\$ 95,494</b>	<b>\$ 154,262</b>

**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, 2022 and 2021

Unaudited

For the nine months ended September 30, 2021	Americas	Europe	Australasia	Total
<b>Operating Income</b>				
Revenue from investment properties	\$ 124,734	\$ 58,204	\$ 95,307	\$ 278,245
Property operating costs	43,866	8,054	11,241	63,161
<b>Net property operating income</b>	<b>80,868</b>	<b>50,150</b>	<b>84,066</b>	<b>215,084</b>
Other income				
Interest and other	250	37	3,242	3,529
Development revenue	—	5,742	—	5,742
Management fees	—	2,014	11,135	13,149
investment	—	5,922	49,631	55,553
	250	13,715	64,008	77,973
Mortgage and loan interest expense	41,456	7,159	19,547	68,162
General and administrative expenses	14,885	5,253	9,639	29,777
Transaction costs	6,481	14,314	9,537	30,332
Development costs	—	5,004	—	5,004
Foreign exchange (gain) loss	(10,755)	40	1,696	(9,019)
	52,067	31,770	40,419	124,256
<b>Operating income (loss)</b>	<b>\$ 29,051</b>	<b>\$ 32,095</b>	<b>\$ 107,655</b>	<b>\$ 168,801</b>

**18. Commitments and Contingent Liabilities**

- a. The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and satisfying mortgage financing requirements. As at September 30, 2022, the REIT has a total of \$2.8 million in outstanding (December 31, 2021 - \$4.4 million) letters of credit, under the REIT's secured revolving floating rate credit facility, which forms part of the Credit Facilities in the aggregate as outlined in note 9, 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 and, therefore, no corresponding liability has been recorded.
- b. Pursuant to the disposition of the REIT's 70% interest in AREIT units as part of the formation of a joint venture arrangement during the year ended December 31, 2020, the REIT indemnified the joint venture partner for potential tax liabilities related to AREIT's investment properties contributed to the joint venture. 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 sale and contribution of European investment properties by the REIT to the European JV in 2020, the REIT has indemnified its joint venture partner for potential tax liabilities related to these 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 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

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# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

## Notes to Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars, unless otherwise stated)

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Unaudited

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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 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.

- e. 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.
- f. In 2021, a subsidiary of the REIT entered into a commitment with a charitable Hospital Foundation to make a total contribution of \$8.9 million over 10 years (\$0.7 million per annum) to support eligible investment initiatives in capital infrastructure or equipment. The commitment with the Foundation is contingent on unanimous agreement by the Foundation and the REIT's management of the annual plan with respect to eligible initiatives. As at September 30, 2022, the REIT had paid \$0.2 of the total contribution commitment.

### 19. 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, with the exception of certain property under development, 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 5 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Certain derivative 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 unlisted securities are valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the asset (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

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

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Unaudited

accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

The fair value hierarchy, by level of assets and liabilities measured at fair value in these financial statements or disclosed in the notes herein as at September 30, 2022 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 5,663,446	\$ —	\$ —	\$ 5,663,446
Financial instruments	37,408	—	37,408	—
Investment in unlisted securities	215,536	—	—	215,536
Assets held for sale	1,736,596	—	—	1,736,596
Assets recorded at amortized cost:				
Loans receivable	9,872	—	—	9,872
Liabilities measured at fair value:				
Financial instruments	710	—	710	—
Convertible debentures	277,583	277,583	—	—
Class B LP exchangeable units	18,126	—	18,126	—
Unit-based compensation liabilities	24,720	—	24,276	444
Liabilities held for sale	462,629	—	462,629	—
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	3,192,427	—	3,144,847	—

**20. 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, 2022, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 44.4% (December 31, 2021 - 39.9%).

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

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<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Debt</b>		
Gross value of debt excluding convertible debentures <sup>(1)</sup>	\$ 3,675,759	\$ 2,820,602
Gross value of total debt <sup>(2)</sup>	3,953,342	2,957,827
<b>Gross Book Value of Assets</b>		
Total assets	\$ 8,282,049	\$ 7,064,401
<b>Debt-to-Gross Book Value (Declaration of Trust)</b>	<b>44.4 %</b>	<b>39.9 %</b>
<b>Debt-to-Gross Book Value (including convertible debentures)</b>	<b>47.7 %</b>	<b>41.9 %</b>

(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, 2022, the REIT is in compliance with all such financial covenants.

## 21. 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 remain generally consistent with those disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2021. Certain of these risks, and the actions taken to manage them, are as follows:

### Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments resulting in the REIT incurring a financial loss. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The REIT's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of rental income and other revenue receivables from its commercial tenant base for monthly rental charges and interest receivable from the term deposit. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

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

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Unaudited

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise.

The following table sets out the REIT's contractual cash flows which includes fixed interest rate payments on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2022	2023	2024	2025	2026	Thereafter
Accounts payable and accrued liabilities	\$ 104,052	\$ 104,052	\$ 104,052	\$ —	\$ —	\$ —	\$ —	\$ —
Income tax payable	6,851	6,851	6,851	—	—	—	—	—
Distributions payable	15,984	15,984	15,984	—	—	—	—	—
Liabilities related to AHFS	462,629	462,629	—	462,629	—	—	—	—
Mortgages and loans payable	3,186,945	3,461,398	606,722	1,453,702	254,830	312,139	308,956	525,049
Finance lease payable	11,810	11,810	430	1,643	1,295	903	845	6,694
Convertible debentures	277,583	280,250	—	125,000	—	—	—	155,250
	\$ 4,065,854	\$ 4,342,974	\$ 734,039	\$ 2,042,974	\$ 256,125	\$ 313,042	\$ 309,801	\$ 686,993

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, new or renewed financings with extended maturities, net proceeds from sales of investment properties classified as assets held for sale (note 4), strategic investment property sales and new financings or refinancing (note 22).

The REIT forecasts liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient available of the combination of cash and debt capacity, and to ensure the REIT will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into considerations current and projected macroeconomic conditions, the REIT's cash collection efforts, working capital management, debt financing plans, and covenant compliance required under the terms of debt agreements. The REIT's financial condition and results of operations would be adversely affected if such forecasts may not be achieved and if the REIT were unable to obtain financing/refinancing or cost-effective financing/refinancing or if it were unable to meet its other liquidity requirements from ongoing operating cash flows, inclusive of distributions.

Interest Rate Risk

The REIT is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt where appropriate. A portion of the REIT's debts and credit facilities are subject to variable rates. From time to time, the REIT may enter into interest rate swap contracts or other financial instruments to limit its exposure to fluctuations in the interest rates on its variable rate debt.

At September 30, 2022, \$2.2 billion of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. Sensitivity to a plus or minus 1% change in the interest rate would impact the net income (loss) and comprehensive income (loss) by \$22.0 million annually with all other variables held constant.

**22. Subsequent Events**

- i. On September 15, 2022, the REIT announced a distribution of \$0.06667 per REIT unit to unitholders of record on September 30, 2022, and paid on October 14, 2022
- ii. On October 21, 2022, The REIT completed refinancing of mortgage related to a Canadian property. The new \$30.0 million mortgage bears 5.63% interest per annum with term to maturity of 5 years. Proceeds from the refinancing were used to repay the property's existing mortgage and amounts owing under the REIT's credit facility.

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- iii. On October 28, 2022, The REIT amended its \$110.9 million in Canadian dollars (\$125.0 million Australian dollars) margin loan facility related to investment in an unlisted securities for 18 month extension of the term to maturity to May 28, 2024 bearing interest at 5.5% margin plus Bank Bill Swap Bid Rate ("BBSY") per annum.
- iv. On October 28, 2022, the REIT closed a new financing of approximately \$406.8 million (£266.0 million) non-revolving term debt secured by the UK Portfolio with three-year term to maturity. The annual interest rate on the facility range from 1.6% to 2.3% margin plus compounded bank rate spread reference rate. The proceeds of the financing will be used to repay one of the REIT's revolving credit facility tranches that had a maturity date of November 4, 2022 which was consequently cancelled.
- v. On November 1, 2022, The REIT closed a new \$125.0 million revolving unsecured facility. The financing has term to maturity of November 1, 2023 and bears interest of prime rate plus prime rate margin ranging from 1.7% to 2.8%. A portion of the proceeds will be used to repay the REIT's existing \$79.0 million unsecured facilities maturing on January 1, 2023.
- vi. On November 2, 2022, The REIT extended the term to maturity of one of its Australian term debt facilities maturing in November and December 2022 to April and June 2024 respectively.



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