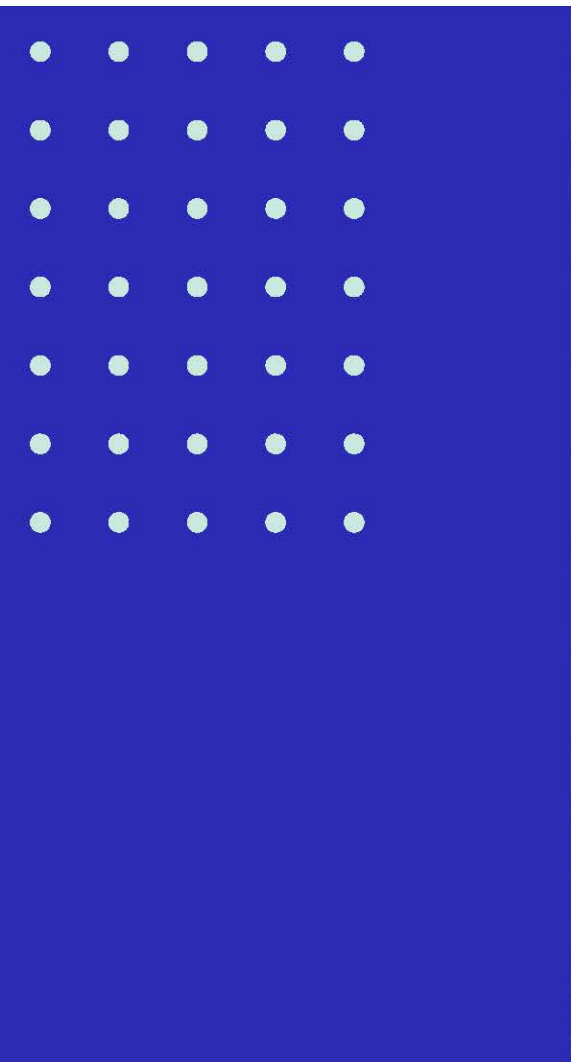




# 2024 Second Quarter Condensed Consolidated Interim Financial Statements

Northwest Healthcare Properties  
Real Estate Investment Trust



**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>June 30, 2024</b> | <b>December 31, 2023</b> |
|--|-------------|----------------------|--------------------------|
| <b>Assets</b>                                    |             |                      |                          |
| Investment properties                            | <b>3</b>    | <b>\$ 6,310,820</b>  | \$ 6,874,660             |
| Equity accounted investments                     | <b>5</b>    | <b>353,546</b>       | 362,340                  |
| Intangible assets                                |             | <b>49,474</b>        | 43,780                   |
| Goodwill   |             | <b>38,390</b>        | 38,566                   |
| Deferred tax assets                              |             | <b>1,117</b>         | 9,177                    |
| Financial instruments                            | <b>6</b>    | <b>34,705</b>        | 26,057                   |
| Other assets                                     | <b>7</b>    | <b>102,323</b>       | 124,173                  |
| Accounts receivable                              |             | <b>25,453</b>        | 21,800                   |
| Assets held for sale                             | <b>4</b>    | <b>60,216</b>        | 55,972                   |
| Cash, cash equivalents, and restricted cash      | <b>14</b>   | <b>64,747</b>        | 72,090                   |
| <b>Total assets</b>                              |             | <b>\$ 7,040,791</b>  | \$ 7,628,615             |
| <b>Liabilities</b>                               |             |                      |                          |
| Mortgages and loans payable                      | <b>8</b>    | <b>\$ 3,350,434</b>  | \$ 3,597,618             |
| Convertible debentures                           | <b>9</b>    | <b>322,546</b>       | 320,854                  |
| Unit-based compensation liabilities              | <b>10</b>   | <b>15,387</b>        | 15,161                   |
| Class B exchangeable units                       | <b>11</b>   | <b>—</b>             | 8,721                    |
| Deferred tax liabilities                         |             | <b>357,963</b>       | 418,446                  |
| Financial instruments                            | <b>6</b>    | <b>1,624</b>         | 6,574                    |
| Income taxes payable                             |             | <b>10,044</b>        | 21,440                   |
| Accounts payable and accrued liabilities         |             | <b>136,181</b>       | 128,749                  |
| Distributions payable                            |             | <b>7,414</b>         | 7,299                    |
| Liabilities related to assets held for sale      | <b>4</b>    | <b>—</b>             | 18,485                   |
| <b>Total liabilities</b>                         |             | <b>\$ 4,201,593</b>  | \$ 4,543,347             |
| <b>Unitholders' Equity</b>                       |             |                      |                          |
| Unitholders' equity                              | <b>11</b>   | <b>1,758,785</b>     | 1,994,312                |
| Non-controlling interests                        | <b>12</b>   | <b>1,080,413</b>     | 1,090,956                |
| <b>Total liabilities and unitholders' equity</b> |             | <b>\$ 7,040,791</b>  | \$ 7,628,615             |

*Commitments and Contingencies (note 16) and Subsequent Events (notes 4, 6, and 20)*

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)

| <i>Unaudited</i>   |             | <b>For the three months ended June 30,</b> |                  | <b>For the six months ended June 30,</b> |              |
|--|-------------|--|------------------|--|--------------|
|  | <b>Note</b> | <b>2024</b>                                | 2023             | <b>2024</b>                              | 2023         |
| <b>Net Property Operating Income</b>   |             |  |                  |  |              |
| Revenue from investment properties   | <b>13</b>   | <b>\$ 119,141</b>                          | \$ 126,504       | <b>\$ 252,686</b>                        | \$ 261,828   |
| Property operating costs   |             | <b>25,165</b>                              | 28,483           | <b>63,258</b>                            | 68,386       |
|  |             | <b>93,976</b>                              | 98,021           | <b>189,428</b>                           | 193,442      |
| <b>Other Income (loss)</b>   |             |  |                  |  |              |
| Interest and other   | <b>7</b>    | <b>3,356</b>                               | 3,965            | <b>6,759</b>                             | 8,081        |
| Management fees  |             | <b>3,366</b>                               | (3,246)          | <b>7,216</b>                             | 7,479        |
| Share of profit (loss) of equity accounted investments   | <b>5</b>    | <b>(13,299)</b>                            | (25,871)         | <b>(9,984)</b>                           | (21,883)     |
|  |             | <b>(6,577)</b>                             | (25,152)         | <b>3,991</b>                             | (6,323)      |
| <b>Expenses and other</b>  |             |  |                  |  |              |
| Mortgage and loan interest expense   |             | <b>53,756</b>                              | 57,187           | <b>109,189</b>                           | 108,835      |
| General and administrative expenses  |             | <b>13,454</b>                              | 15,535           | <b>28,991</b>                            | 28,571       |
| Transaction costs  |             | <b>4,567</b>                               | 4,832            | <b>6,934</b>                             | 8,169        |
| Foreign exchange (gain) loss   |             | <b>861</b>                                 | (2,792)          | <b>(12,869)</b>                          | (10,008)     |
|  |             | <b>72,638</b>                              | 74,762           | <b>132,245</b>                           | 135,567      |
| <b>Income before finance income (expense), net gain (loss) on financial instruments, net gain (loss) on dispositions, and fair value adjustments</b> |             |  |                  |  |              |
|  |             | <b>14,761</b>                              | (1,893)          | <b>61,174</b>                            | 51,552       |
| Finance income (expense)   |             |  |                  |  |              |
| Amortization of financing costs  | <b>8</b>    | <b>(4,271)</b>                             | (2,993)          | <b>(9,451)</b>                           | (5,963)      |
| Class B exchangeable unit distributions  |             | —  | (342)            | <b>63</b>                                | (684)        |
| Fair value adjustment of Class B exchangeable units  |             | —  | 3,745            | <b>(205)</b>                             | 5,506        |
| Accretion of financial liabilities   | <b>8</b>    | <b>(424)</b>                               | (745)            | <b>(4,432)</b>                           | (5,788)      |
| Fair value adjustment of convertible debentures  | <b>9</b>    | <b>4,283</b>                               | 10,981           | <b>(1,692)</b>                           | 14,179       |
| Convertible debenture issuance costs   |             | —  | (4,489)          | <b>(27)</b>                              | (4,510)      |
| Net gain (loss) on financial instruments   | <b>6</b>    | <b>5,737</b>                               | 37,981           | <b>11,349</b>                            | 20,789       |
| Fair value adjustment of investment properties   | <b>3, 4</b> | <b>(172,417)</b>                           | (140,424)        | <b>(244,120)</b>                         | (291,985)    |
| Net loss on disposals of investment properties   | <b>4</b>    | <b>(4,905)</b>                             | (13,581)         | <b>(10,097)</b>                          | (15,264)     |
| Fair value adjustment of unit based compensation liabilities   | <b>10</b>   | <b>806</b>                                 | 6,280            | <b>1,161</b>                             | 9,583        |
|  |             | <b>(156,430)</b>                           | <b>(105,480)</b> | <b>(196,277)</b>                         | (222,585)    |
| <b>Income (loss) before taxes</b>  |             |  |                  |  |              |
| Current tax expense  |             | <b>3,628</b>                               | 4,470            | <b>6,394</b>                             | 11,466       |
| Deferred tax expense (recovery)  |             | <b>(32,834)</b>                            | (2,539)          | <b>(36,830)</b>                          | (37,485)     |
| Income tax expense (recovery)  |             | <b>(29,206)</b>                            | 1,931            | <b>(30,436)</b>                          | (26,019)     |
|  |             | <b>(127,224)</b>                           | (107,411)        | <b>(165,841)</b>                         | (196,566)    |
| <b>Net income (loss)</b>   |             |  |                  |  |              |
| <b>Net income (loss) attributable to:</b>  |             |  |                  |  |              |
| Unitholders  |             | <b>\$ (122,338)</b>                        | \$ (32,093)      | <b>\$ (169,945)</b>                      | \$ (129,579) |
| Non-controlling interests  |             | <b>(4,886)</b>                             | (75,318)         | <b>4,104</b>                             | (66,987)     |
|  |             | <b>\$ (127,224)</b>                        | \$ (107,411)     | <b>\$ (165,841)</b>                      | \$ (196,566) |

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

|   |      | For the three months ended June 30, |                     | For the six months ended June 30, |                     |
|---|------|-------------------------------------|---------------------|-----------------------------------|---------------------|
|   | Note | 2024                                | 2023                | 2024                              | 2023                |
| <b>Net income (loss)</b>                                  |      | <b>\$ (127,224)</b>                 | <b>\$ (107,411)</b> | <b>\$ (165,841)</b>               | <b>\$ (196,566)</b> |
| <b>Other comprehensive income (loss) ("OCI"):</b>         |      |                                     |                     |                                   |                     |
| Foreign currency translation adjustments                  |      | <b>\$ 24,612</b>                    | <b>\$ (72,431)</b>  | <b>\$ (32,921)</b>                | <b>\$ (73,317)</b>  |
| Change in relative interest of non-controlling interests  | 12   | <b>\$ (505)</b>                     | <b>\$ —</b>         | <b>\$ (505)</b>                   | <b>\$ —</b>         |
| <b>Other comprehensive income (loss), net of tax</b>      |      | <b>\$ 24,107</b>                    | <b>\$ (72,431)</b>  | <b>\$ (33,426)</b>                | <b>\$ (73,317)</b>  |
| <b>Total comprehensive income (loss) for the period</b>   |      | <b>\$ (103,117)</b>                 | <b>\$ (179,842)</b> | <b>\$ (199,267)</b>               | <b>\$ (269,883)</b> |
| <b>Total comprehensive income (loss) attributable to:</b> |      |                                     |                     |                                   |                     |
| Unitholders   |      | <b>\$ (129,491)</b>                 | <b>\$ (61,843)</b>  | <b>\$ (206,194)</b>               | <b>\$ (139,370)</b> |
| Non-controlling interests                                 |      | <b>\$ 26,374</b>                    | <b>\$ (118,000)</b> | <b>\$ 6,927</b>                   | <b>\$ (130,513)</b> |
|   |      | <b>\$ (103,117)</b>                 | <b>\$ (179,843)</b> | <b>\$ (199,267)</b>               | <b>\$ (269,883)</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 OCI | Retained Earnings | Total Unitholders' Equity | Non-Controlling Interests (note 12) | Total Equity |
|--|------|---------------------|---------------------|--------------------------|-----------------|-------------------|---------------------------|-------------------------------------|--------------|
| <b>Balance, December 31, 2023</b>                        |      | \$ 2,525,040        | \$ 39,724           | \$ (1,017,018)           | \$ (293,415)    | \$ 739,981        | \$ 1,994,312              | \$ 1,090,956                        | \$ 3,085,268 |
| Units issued through distribution reinvestment plan      | 11   | 4,689               | —                   | —                        | —               | —                 | 4,689                     | 2,326                               | 7,015        |
| Units issued on exercise of unit-based compensation      | 10   | 1,293               | —                   | —                        | —               | —                 | 1,293                     | —                                   | 1,293        |
| Conversion of Class B exchangeable units                 | 11   | 8,926               | —                   | —                        | —               | —                 | 8,926                     | —                                   | 8,926        |
| Change in relative interest of non-controlling interests | 12   | —                   | —                   | —                        | 748             | —                 | 748                       | (1,250)                             | (502)        |
| Distributions  |      | —                   | —                   | (44,244)                 | —               | —                 | (44,244)                  | (19,796)                            | (64,040)     |
| Foreign currency translation adjustments                 |      | —                   | —                   | —                        | (36,994)        | —                 | (36,994)                  | 4,073                               | (32,921)     |
| Net income (loss)  |      | —                   | —                   | —                        | —               | (169,945)         | (169,945)                 | 4,104                               | (165,841)    |
| <b>Balance, June 30, 2024</b>                            |      | \$ 2,539,948        | \$ 39,724           | \$ (1,061,262)           | \$ (329,661)    | \$ 570,036        | \$ 1,758,785              | \$ 1,080,413                        | \$ 2,839,198 |

|   | Note | Unitholders' Equity | Contributed Surplus | Cumulative Distributions | Accumulated OCI | Retained Earnings | Total Unitholders' Equity | Non-Controlling Interests (note 12) | Total Equity |
|---|------|---------------------|---------------------|--------------------------|-----------------|-------------------|---------------------------|-------------------------------------|--------------|
| <b>Balance, December 31, 2022</b>                   |      | \$ 2,503,875        | \$ 39,724           | \$ (858,645)             | \$ (315,777)    | \$ 1,087,671      | \$ 2,456,848              | \$ 1,285,128                        | \$ 3,741,976 |
| Units issued through distribution reinvestment plan | 11   | 18,222              | —                   | —                        | —               | —                 | 18,222                    | 6,229                               | 24,451       |
| Units issued on exercise of unit-based compensation | 10   | 1,205               | —                   | —                        | —               | —                 | 1,205                     | —                                   | 1,205        |
| Distributions                                       |      | —                   | —                   | (96,771)                 | —               | —                 | (96,771)                  | (19,839)                            | (116,610)    |
| Foreign currency translation adjustments            |      | —                   | —                   | —                        | (9,791)         | —                 | (9,791)                   | (63,526)                            | (73,317)     |
| Net income (loss)                                   |      | —                   | —                   | —                        | —               | (129,580)         | (129,580)                 | (66,987)                            | (196,567)    |
| <b>Balance, June 30, 2023</b>                       |      | \$ 2,523,302        | \$ 39,724           | \$ (955,416)             | \$ (325,568)    | \$ 958,091        | \$ 2,240,133              | \$ 1,141,005                        | \$ 3,381,138 |

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)

| <i>Unaudited</i>  |      | For the three months ended<br>June 30, |                  | For the six months ended<br>June 30, |                    |
|---|------|--|------------------|--------------------------------------|--------------------|
|   | Note | 2024                                   | 2023             | 2024                                 | 2023               |
| <b>Operating activities</b>   |      |  |                  |                                      |                    |
| Net income (loss)   |      | \$ (127,224) \$                        | (107,411) \$     | \$ (165,841) \$                      | (196,566)          |
| Adjustments for:  |      |  |                  |                                      |                    |
| Income tax expense (recovery)   |      | (29,206)                               | 1,931            | (30,436)                             | (26,019)           |
| Income taxes paid   |      | (5,792)                                | (4,361)          | (16,042)                             | (11,992)           |
| Amortization of other assets  |      | 673                                    | 270              | 2,477                                | 598                |
| Mortgage and loan interest expense                                      |      | 53,756                                 | 57,187           | 109,189                              | 108,835            |
| Mortgage and loan interest paid   |      | (55,753)                               | (61,399)         | (113,989)                            | (113,422)          |
| Finance expense (income), net   | 14   | 412                                    | (6,157)          | 15,744                               | (2,740)            |
| Interest income   |      | (2,871)                                | (3,965)          | (5,103)                              | (8,081)            |
| Share of loss of equity accounted investments                           |      | 13,299                                 | 25,871           | 9,984                                | 21,883             |
| Unrealized foreign exchange loss (gain)                                 |      | 784                                    | (2,390)          | (12,981)                             | (9,146)            |
| Fair value adjustment of investment properties                          | 3, 4 | 172,417                                | 140,424          | 244,120                              | 291,985            |
| Fair value loss (gain) on financial instruments                         | 6    | (5,737)                                | (37,981)         | (11,349)                             | (20,789)           |
| Transaction costs   |      | 4,567                                  | 4,832            | 6,934                                | 8,169              |
| Loss on disposition of investment properties                            | 4    | 4,905                                  | 13,581           | 10,097                               | 15,264             |
| Fair value adjustment of unit-based compensation liabilities            | 10   | (806)                                  | (6,280)          | (1,161)                              | (9,583)            |
| Unit-based compensation expense   | 10   | 270                                    | 3,151            | 2,819                                | 5,497              |
| Redemption of units issued under deferred unit plan                     |      | 73                                     | (1,137)          | (315)                                | (1,462)            |
| Changes in non-cash working capital balances                            | 14   | (14,025)                               | 20,544           | (11,269)                             | 3,444              |
| <b>Cash provided by operating activities</b>                            |      | <b>9,742</b>                           | <b>36,710</b>    | <b>\$ 32,878</b>                     | <b>\$ 55,875</b>   |
| <b>Investing activities</b>   |      |  |                  |                                      |                    |
| Proceeds on disposal of investment properties, net of disposition costs | 4    | 229,487                                | 109,456          | 389,521                              | 107,773            |
| Net investment in financial instruments                                 | 6, 7 | 17,366                                 | —                | 31,197                               | —                  |
| Distribution income   | 5, 7 | 2,250                                  | 3,543            | 4,205                                | 9,597              |
| Receipts (payments) from foreign exchange contracts, net                |      | 75                                     | 24               | 161                                  | 208                |
| Additions to investment properties                                      | 3    | (45,580)                               | (52,928)         | (101,677)                            | (106,390)          |
| Transaction costs   |      | (5,225)                                | (6,708)          | (8,067)                              | (10,485)           |
| Additions to furniture and fixtures                                     |      | (604)                                  | (37)             | (846)                                | (79)               |
| Cash interest received  |      | 1,115                                  | 873              | 1,636                                | 1,712              |
| Contributions in equity accounted investments                           |      | (1,271)                                | (318)            | (1,271)                              | (1,160)            |
| Acquisitions of investment properties                                   |      | —                                      | (24)             | —                                    | (4,043)            |
| Net decrease (increase) to restricted cash                              |      | (2,732)                                | —                | (2,732)                              | —                  |
| <b>Cash provided by (used in) investing activities</b>                  |      | <b>194,881</b>                         | <b>53,881</b>    | <b>\$ 312,127</b>                    | <b>\$ (2,867)</b>  |
| <b>Financing activities</b>   |      |  |                  |                                      |                    |
| Proceeds from mortgages and loans                                       | 8    | 94,621                                 | 117,951          | 280,051                              | 326,674            |
| Repayments of mortgages and loans                                       | 8    | (286,632)                              | (249,176)        | (573,993)                            | (380,103)          |
| Distributions paid on REIT units  |      | (19,460)                               | (39,258)         | (39,352)                             | (78,246)           |
| Distributions paid to non-controlling interests                         |      | (8,994)                                | (6,761)          | (17,509)                             | (13,597)           |
| Financing fees paid   | 8    | (586)                                  | (1,316)          | (5,835)                              | (7,088)            |
| Unit issuance costs   |      | —                                      | (75)             | (51)                                 | (147)              |
| Convertible debenture issuance costs                                    | 9    | —                                      | 81,761           | (27)                                 | 81,740             |
| Distributions paid on Class B exchangeable units                        |      | —                                      | (342)            | —                                    | (684)              |
| <b>Cash provided by (used in) financing activities</b>                  |      | <b>(221,051)</b>                       | <b>(97,216)</b>  | <b>\$ (356,716)</b>                  | <b>\$ (71,451)</b> |
| <b>Net change in cash and cash equivalents</b>                          |      | <b>(16,428)</b>                        | <b>(6,625)</b>   | <b>\$ (11,711)</b>                   | <b>\$ (18,443)</b> |
| <b>Effect of foreign currency translation</b>                           |      | <b>7,100</b>                           | <b>(1,319)</b>   | <b>1,103</b>                         | <b>(1,320)</b>     |
| <b>Net change in cash and cash equivalents</b>                          |      | <b>(9,328)</b>                         | <b>(7,944)</b>   | <b>\$ (10,608)</b>                   | <b>\$ (19,763)</b> |
| <b>Cash and cash equivalents, beginning of period</b>                   |      | <b>70,810</b>                          | <b>76,168</b>    | <b>72,090</b>                        | <b>87,987</b>      |
| <b>Cash and cash equivalents, end of period</b>                         | 14   | <b>\$ 61,482</b>                       | <b>\$ 68,224</b> | <b>\$ 61,482</b>                     | <b>\$ 68,224</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 six months ended June 30, 2024 and 2023

Unaudited

Northwest Healthcare Properties Real Estate Investment Trust ("Northwest", the "REIT", or the "Trust"), is a Canadian open-end trust established on January 1, 2010 and governed pursuant to a third amended and restated Declaration of Trust dated September 15, 2020, as amended by amendments dated as of March 30, 2023, September 21, 2023, and June 18, 2024, under the laws of the Province of Ontario ("Declaration of Trust"). 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. Statement of Compliance and Basis of Preparation

#### (a) Statement of compliance

The REIT's unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the IASB. Certain information and note disclosures included in the annual consolidated financial statements based on accounting policies and practices in accordance with IFRS have been omitted in these unaudited condensed consolidated interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's annual consolidated financial statements for the year ended December 31, 2023. These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on August 13, 2024.

#### (b) Going concern and basis of presentation and measurement

##### (i) Going concern basis

The consolidated financial statements have been prepared on a going concern basis, which assumes that the REIT will be able to meet its obligations and satisfy its liabilities, including scheduled repayments of mortgages and loans as disclosed in note 8, and commitments in the normal course of business operations.

On August 8, 2023, the REIT announced the formation of a Strategic Review Committee (the "Committee") of the Board of Trustees (the "Board") to undertake a strategic review, for which it has also retained financial advisors. On August 8, 2024, the REIT announced the conclusion of the Strategic Review Committee (note 20).

As at June 30, 2024, the REIT's current portion of debt (mortgages and loans payable and convertible debentures) is \$815 million. Subsequent to June 30, 2024, the REIT repaid current debt maturities of approximately \$235 million with proceeds from the sale of the UK portfolio (note 20), resulting in \$580 million of current debt as of August 13, 2024.

The REIT is in the process of amending or refinancing the remaining debts scheduled to mature over the next 12 months, inclusive of applicable covenants.

There is a risk that the REIT's aforementioned plans may not be completed on terms acceptable to the REIT or within the anticipated timelines prior to the maturity of certain debts. The REIT is also pursuing various actions to continue to reduce debt, including sales of certain investment properties and sale or redemption of an investment in unlisted securities. The REIT may also generate liquidity from a mix of (i) existing cash balances, (ii) new mortgages secured by investment properties, (iii) issuance of equity and convertible/unsecured debentures, and (iv) reductions to capital and leasing expenditures, general and administrative expenses, and/or cash distributions to unitholders.

The REIT's debt arrangements also require continuous compliance with certain financial covenants, which, if breached, may result in significant changes to the underlying terms and conditions, including the potential requirement for immediate repayment. During the six months ended June 30, 2024, the REIT has amended its debt agreements with certain of its lenders to modify specific financial covenants such as the debt service ratio, minimum equity tests, and distribution of net proceeds on asset sales to pay down principal on debts for a period up to March 31, 2025, subsequent to which certain covenant revert to original and higher thresholds. These amendments were to position the REIT

*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

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For the three and six months ended June 30, 2024 and 2023

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for ongoing compliance and provide liquidity for operations. The REIT has updated its forecasted compliance with covenant requirements in respect of the REIT's debt agreements during the period.

In the normal course and in consideration of the REIT's focus on liquidity and covenants, the REIT has updated its future cash flow projections. This determination involves a significant degree of judgment taking into consideration a variety of factors, including the REIT's projected operating performance, timing and proceeds from additional investment property sales, and forecasted debt service costs.

Based on the assessment of cash flow projections, including settlement and renewal of scheduled debt maturities and projected covenant compliance, the REIT has considered its various strategic options available to address any of the above mentioned risks. Therefore, management believes that the REIT has sufficient liquidity to meet its financial obligations as they come due and to address its ongoing covenant compliance such that there are no material uncertainties related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern.

Refer to note 8 Mortgages and Loans Payable, as well as notes 17, 18 and 19 for disclosure related to fair value changes, management of capital and the risks relevant to the REIT's operations and the potential impact of market conditions could have on future results.

### *(ii) Basis of preparation and measurement*

The consolidated financial statements are presented in thousands of Canadian dollars, except in respect of units and per unit amounts. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the REIT's management to exercise judgment in applying accounting policies.

These consolidated financial statements have been prepared on a historical cost basis except for:

- Investment properties and assets held for sale, which are measured at fair value; and
- Financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL"), derivative financial instruments, and the REIT's unit-based compensation liabilities, which are collectively measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency.

## 2. Material Accounting Policies

All material accounting policies have been applied on a basis consistent with those stated and applied in the most recent annual consolidated financial statements of the REIT for the year ended December 31, 2023.

### Changes to Operating Segments

The REIT has re-assessed its reporting segments based on a change in the Chief Operating Decision Maker's ("CODM") performance measures and resource allocation in accordance with IFRS 8 Operating Segments. The REIT had previously defined its reporting segments as follows: Americas (Canada, United States, Brazil, Corporate), Europe (UK, Germany, Netherlands), and Australasia (Australia, New Zealand).

During the first quarter of fiscal 2024, the REIT revised its reporting segments as follows: North America (Canada, United States), Brazil, Europe (UK, Germany, Netherlands), Australasia (Australia, New Zealand, including investment in Vital Trust), and Corporate. Relevant comparative periods in these consolidated financial statements have been amended and restated to reflect the change in the composition of the REIT's segments for this purpose.

### Accounting Changes

In January 2020 and October 2022, the IASB issued narrow scope amendments to IAS 1 – Classification of Liabilities as Current or Non-Current to specify the requirements for the classification of liabilities as either current or non-current, effective January 1, 2024. The amendments clarified the following:

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



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- Right to defer settlement – that if an entity’s right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.
- Settlement by way of own instruments – that settlement by way of an entity’s own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendments also provide for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The REIT adopted the amendments as of January 1, 2024 and applied retrospectively and thus \$322.5 million, \$320.9 million and \$275.3 million of convertible debentures (note 9), \$1.1 million, \$2.0 million and \$13.8 million of fully vested unit-based compensation liabilities (note 10), and \$nil \$8.7 million, and \$16.2 million of Class B units have been disclosed as current as at June 30, 2024, December 31, 2023, and January 1, 2023, respectively.

### Future Accounting Changes

The IASB is expected to issue IFRS 18 – Presentation and Disclosure in Financial Statements in 2024, effective January 1, 2027. The new standard is expected to:

- Define the structure for the statements of income (loss) to include subtotals for operating, investing, and financing activities;
- Require financial statement note disclosure of management-defined, or non-IFRS, performance measures; and
- Provide enhanced guidance on the grouping of aggregated or disaggregated information.

The REIT is evaluating the impact of IFRS 18, and continues to monitor changes to IFRS accounting standards and implement applicable IASB changes to standards, new interpretations, and annual improvements.

### 3. Investment Properties

| As at  | June 30, 2024       | December 31, 2023   |
|--|---------------------|---------------------|
| Balance, beginning of period                         | \$ 6,874,660        | \$ 6,612,535        |
| Acquisition of investment properties <sup>(1)</sup>  | –                   | 14,636              |
| Dispositions of investment properties <sup>(2)</sup> | (334,205)           | (23,241)            |
| Additions to investment properties <sup>(3)</sup>    | 101,703             | 258,625             |
| Increase in straight line rents                      | 3,259               | 7,144               |
| Reclassified (to)/from assets held for sale (note 4) | (71,145)            | 445,325             |
| Fair value adjustments, net                          | (242,471)           | (412,700)           |
| Foreign currency translation                         | (20,981)            | (27,664)            |
| <b>Balance, end of period</b>                        | <b>\$ 6,310,820</b> | <b>\$ 6,874,660</b> |

(1) Acquisitions include purchases of land and buildings, and capitalized costs directly attributable to the transaction activity.

(2) Dispositions in 2024 are related to non-core sales of investment properties from the North America, Europe, and Australasia segments (note 4).

(3) Additions include leasing costs, capital and development expenditures primarily in Vital Trust, and new right-of-use assets.

Investment properties are measured at their estimated fair values. The investment properties are re-measured to fair value at each reporting date. Capitalized transaction costs include an internal allocation of payroll and costs attributable to investment resources deemed to be directly attributable to acquiring investment property assets.

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

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The estimated fair values of the REIT's investment properties are based on the following valuation methodologies:

- i. Discounted cash flow analysis based on future cash inflows and outflows related to projected annual operating cash flows reflecting market conditions at the end of reporting period, utilizing appropriate discount rates and terminal capitalization rates which are generally over a minimum term of 10 years; and
- ii. Direct capitalization method which calculates an estimate of fair value by applying a capitalization rate to future cash flows based on a forecast or expectation of stabilized net operating income.

The estimated fair values of the investment properties as at June 30, 2024 and December 31, 2023 were determined using internal valuation models or the results of valuations performed by independent third party appraisers. Significant inputs, and assumptions are used by the REIT in determining the estimated fair values of its 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. Additionally, the REIT may dispose of investment properties at amounts different than the estimated fair value at June 30, 2024. This difference could be material in the current macro-economic environment.

The key valuation metrics for investment properties, excluding those held for sale and accounted for as part of the REIT's equity accounted investments, by segment are set out in the following table:

| As at June 30, 2024                             | North America  | Brazil        | Europe         | Australasia    |
|---|----------------|---------------|----------------|----------------|
| Discount rate - range                           | 6.50% - 10.00% | 7.75% - 9.00% | 6.00% - 8.75%  | 6.00% - 8.50%  |
| Discount rate - weighted average                | 7.73%          | 8.36%         | 6.77%          | 6.93%          |
| Terminal capitalization rate - range            | 6.00% - 9.00%  | 7.00% - 8.00% | 5.30% - 8.48%  | 4.88% - 7.00%  |
| Terminal capitalization rate - weighted average | 6.94%          | 7.39%         | 6.20%          | 5.56%          |
| Overall capitalization rate - range             | 4.81% - 9.65%  | 7.28% - 8.40% | 4.75% - 10.37% | 4.63% - 11.73% |
| Overall capitalization rate - weighted average  | 6.63%          | 7.78%         | 6.31%          | 5.31%          |

| As at December 31, 2023                         | North America | Brazil        | Europe        | Australasia    |
|---|---------------|---------------|---------------|----------------|
| Discount rate - range                           | 6.50% - 9.67% | 7.25% - 8.50% | 6.00% - 8.80% | 5.25% - 9.00%  |
| Discount rate - weighted average                | 7.79%         | 7.85%         | 7.07%         | 6.59%          |
| Terminal capitalization rate - range            | 6.00% - 8.65% | 6.50% - 7.50% | 5.25% - 9.75% | 4.50% - 8.25%  |
| Terminal capitalization rate - weighted average | 7.00%         | 6.89%         | 5.81%         | 5.35%          |
| Overall capitalization rate - range             | 4.44% - 9.95% | 6.79% - 7.90% | 4.47% - 7.62% | 4.43% - 10.88% |
| Overall capitalization rate - weighted average  | 6.68%         | 7.28%         | 6.04%         | 5.20%          |

The fair value sensitivity for the investment properties most sensitive to changes in capitalization rates is summarized in the following table:

| Capitalization rate sensitivity increase/ (decrease) | Weighted average overall capitalization rate | Estimated fair value of investment properties (in millions) | Fair value variance (in millions) | % Change |
|--|--|---|-----------------------------------|----------|
| (0.75)%  | 5.28%  | \$7,227   | \$916                             | 15.00%   |
| (0.50)%  | 5.53%  | \$6,893   | \$582                             | 9.00%    |
| (0.25)%  | 5.78%  | \$6,589   | \$278                             | 4.00%    |
| —%   | 6.03%  | \$6,311   | \$—                               | —%       |
| 0.25%  | 6.28%  | \$6,056   | \$(255)                           | (4.00)%  |
| 0.50%  | 6.53%  | \$5,821   | \$(490)                           | (8.00)%  |
| 0.75%  | 6.78%  | \$5,604   | \$(708)                           | (11.00)% |

The REIT engages independent third-party appraisers such that approximately one-third of the portfolio of income producing properties is independently appraised annually and each income producing property

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is appraised at least once over a five-year period. The REIT's internal valuation models consider and incorporate the results of the external valuations. As at June 30, 2024, income producing properties with an aggregate estimated fair value of \$1.7 billion, representing approximately 27% of the portfolio, were valued by independent third-party appraisers (As at June 30, 2023 - \$2.7 billion and 38%).

**4. Assets Held for Sale and Disposition of Investment Properties**

| <b>As at</b>  |           | <b>June 30, 2024</b> |           | December 31, 2023 |
|---|-----------|----------------------|-----------|-------------------|
| Balance, beginning of period                          | \$        | <b>55,972</b>        | \$        | 983,430           |
| Dispositions of assets held for sale                  |           | <b>(65,413)</b>      |           | (337,483)         |
| Additions to assets held for sale                     |           | <b>—</b>             |           | 1,133             |
| Increase (decrease) in straight-line rents            |           | <b>16</b>            |           | (7)               |
| Reclassified from (to) Investment Properties (note 3) |           | <b>71,145</b>        |           | (445,325)         |
| Fair value adjustments                                |           | <b>(1,649)</b>       |           | (159,060)         |
| Foreign currency translation                          |           | <b>145</b>           |           | 13,284            |
| <b>Balance, end of period</b>                         | <b>\$</b> | <b>60,216</b>        | <b>\$</b> | <b>55,972</b>     |

As at June 30, 2024, the REIT has three income producing properties and one development property totaling \$60.2 million (December 31, 2023 - \$56.0 million) classified as assets held for sale and nil (December 31, 2023 - \$18.5 million) of directly associated property level debt expected to be part of the sale transaction classified as liabilities related to assets held for sale.

During the six months ended June 30, 2024, the REIT disposed of investment properties, inclusive of assets that were not previously classified as held for sale, as follows:

| <b>Region</b> |           | <b>Gross Proceeds</b> |           | <b>Property specific debt settled or sold</b> |
|---------------|-----------|-----------------------|-----------|---|
| North America | \$        | <b>303,254</b>        | \$        | <b>18,370</b>                                 |
| Australasia   |           | <b>75,748</b>         |           | —   |
| Europe        |           | <b>20,616</b>         |           | <b>12,257</b>                                 |
|               | <b>\$</b> | <b>399,618</b>        | <b>\$</b> | <b>30,627</b>                                 |

For the three and six months ended June 30, 2024, the REIT incurred losses of \$4.9 million and \$10.1 million, respectively, related to disposition costs.

Subsequent to June 30, 2024, the REIT's sold its investment properties in the United Kingdom (the "UK portfolio") for total consideration of \$885 million (See note 20).

**5. Equity Accounted Investments**

The REIT enters into joint venture ("JV") arrangements with third parties for the purpose of jointly owning, developing 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.

| <b>Equity Accounted Investment</b>                       | <b>Ownership Interest</b> | <b>Location</b> | <b>Term</b> |
|--|---------------------------|-----------------|-------------|
| NWI Galaxy JV GmbH & Co. KG ("European JV")              | 30 %                      | Europe          | 11 years    |
| NorthWest Australia HSO Trust                            | 30 %                      | Australia       | Perpetuity  |
| NorthWest Australia Hospital Investment Trust            | 30 %                      | Australia       | Perpetuity  |
| Northwest Healthcare Properties Australia REIT ("AREIT") | 30 %                      | Australia       | Perpetuity  |
| NorthWest Australia Hospital Investment Galaxy 2 Trust   | 30 %                      | Australia       | Perpetuity  |

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The REIT's investments in its Australian JV arrangements, where capital funding has been deployed to fund the acquisition of investment properties, were all governed under the same investment framework as at June 30, 2024. The investment framework included sharing a common third-party joint venture partner, owning assets that are in similar asset classes and geographical regions, and have similarly structured investment management terms. The carrying value of the REIT's equity accounted investments by location is as follows:

| <b>June 30, 2024</b>                      |    | <b>Australia</b> |    | <b>Europe</b> |    | <b>Total</b> |
|---|----|------------------|----|---------------|----|--------------|
| Balance, beginning of period              | \$ | 273,600          | \$ | 88,738        | \$ | 362,338      |
| Contributions                             |    | —                |    | 1,266         |    | 1,266        |
| Share of net income (loss) for the period |    | (9,139)          |    | (845)         |    | (9,984)      |
| Distributions                             |    | (4,141)          |    | —             |    | (4,141)      |
| Foreign currency translation              |    | 4,253            |    | (186)         |    | 4,067        |
| Balance, end of period                    | \$ | 264,573          | \$ | 88,973        | \$ | 353,546      |

| <b>December 31, 2023</b>                  |    | <b>Australia</b> |    | <b>Europe</b> |    | <b>Total</b> |
|---|----|------------------|----|---------------|----|--------------|
| Balance, beginning of year                | \$ | 299,873          | \$ | 95,524        | \$ | 395,397      |
| Contributions                             |    | —                |    | 2,277         |    | 2,277        |
| Share of net income (loss) for the period |    | (9,514)          |    | (9,718)       |    | (19,232)     |
| Distributions                             |    | (8,692)          |    | —             |    | (8,692)      |
| Foreign currency translation              |    | (8,065)          |    | 655           |    | (7,410)      |
| Balance, end of year                      | \$ | 273,602          | \$ | 88,738        | \$ | 362,340      |

The summarized financial information of the REIT's equity accounted investments is as follows:

| <b>As at June 30,</b>                              |    | <b>2024</b>      |    |               |               |
|--|----|------------------|----|---------------|---------------|
|  |    | <b>Australia</b> |    | <b>Europe</b> | <b>Total</b>  |
| Total assets <sup>(1)</sup>                        | \$ | 2,106,138        | \$ | 586,646       | \$ 2,692,784  |
| Total liabilities                                  |    | 1,165,774        |    | 306,825       | 1,472,599     |
| Net assets   |    | 940,364          |    | 279,821       | 1,220,185     |
| Less: Non-controlling interests ("NCI")            |    | 58,453           |    | —             | 58,453        |
| Net assets less NCI                                |    | 881,911          |    | 279,821       | 1,161,732     |
| Weighted average ownership interest <sup>(2)</sup> |    | 30 %             |    | 30% to 33.57% | 30% to 33.57% |
| Equity Accounted Investments                       | \$ | 264,573          | \$ | 88,973        | \$ 353,546    |

- (1) Included in total assets is cash of \$16.2 million and \$6.0 million in Australia and Europe, respectively, to which the REIT has rights up to its ownership interest.
- (2) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

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| For the three months ended June 30,                          | 2024               |                      |                      | 2023               |                      |                      |
|--|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
|  | Australia          | Europe               | Total                | Australia          | Europe               | Total                |
| Revenue  | \$ 28,934          | \$ 10,538            | \$ 39,472            | 28,850             | 10,052               | \$ 38,902            |
| Interest income  | 1,779              | 88                   | 1,867                | 1,699              | —                    | 1,699                |
| <b>Total revenue</b>   | <b>\$ 30,713</b>   | <b>\$ 10,626</b>     | <b>\$ 41,339</b>     | <b>\$ 30,549</b>   | <b>\$ 10,052</b>     | <b>\$ 40,601</b>     |
| <b>Expenses, fair value adjustments, and income tax</b>      |                    |                      |                      |                    |                      |                      |
| Operating costs  | \$ 4,391           | \$ 1,989             | \$ 6,380             | \$ 4,884           | \$ 1,795             | \$ 6,679             |
| Mortgage and loan interest expense                           | 14,979             | 6,286                | 21,265               | 13,867             | 6,031                | 19,898               |
| General and administrative expenses                          | 2,567              | 1,527                | 4,094                | 2,398              | 648                  | 3,046                |
| Other  | 331                | 121                  | 452                  | 161                | 205                  | 366                  |
| Fair value (gain) loss attributable to investment properties | 46,787             | 4,817                | 51,604               | 75,197             | 22,874               | 98,071               |
| Income tax (recovery) expense                                | —                  | 401                  | 401                  | —                  | (3,452)              | (3,452)              |
| <b>Net income (loss)</b>                                     | <b>\$ (38,342)</b> | <b>\$ (4,515)</b>    | <b>\$ (42,857)</b>   | <b>\$ (65,958)</b> | <b>\$ (18,049)</b>   | <b>\$ (84,007)</b>   |
| Non-controlling interests                                    | (1,159)            | 135                  | (1,024)              | 1,610              | (273)                | 1,337                |
| <b>Net income (loss) attributable to owners</b>              | <b>\$ (39,501)</b> | <b>\$ (4,380)</b>    | <b>\$ (43,881)</b>   | <b>\$ (67,568)</b> | <b>\$ (17,776)</b>   | <b>\$ (85,344)</b>   |
| <b>Weighted average share<sup>(i)</sup></b>                  | <b>30.0%</b>       | <b>30% to 33.57%</b> | <b>30% to 33.57%</b> | <b>30.0%</b>       | <b>30% to 33.57%</b> | <b>30% to 33.57%</b> |
| <b>Share of net income (loss)</b>                            | <b>\$ (11,850)</b> | <b>\$ (1,449)</b>    | <b>\$ (13,299)</b>   | <b>\$ (20,270)</b> | <b>\$ (5,601)</b>    | <b>\$ (25,871)</b>   |

| For the six months ended June 30,                            | 2024               |                      |                      | 2023               |                      |                      |
|--|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
|  | Australia          | Europe               | Total                | Australia          | Europe               | Total                |
| Revenue  | \$ 56,459          | \$ 21,438            | \$ 77,897            | 56,121             | 20,909               | \$ 77,030            |
| Interest income  | 3,514              | 196                  | 3,710                | 3,446              | 33                   | 3,479                |
| <b>Total revenue</b>   | <b>\$ 59,973</b>   | <b>\$ 21,634</b>     | <b>\$ 81,607</b>     | <b>\$ 59,567</b>   | <b>\$ 20,942</b>     | <b>\$ 80,509</b>     |
| <b>Expenses, fair value adjustments, and income tax</b>      |                    |                      |                      |                    |                      |                      |
| Operating costs  | \$ 8,078           | \$ 4,172             | \$ 12,250            | \$ 7,993           | \$ 4,303             | \$ 12,296            |
| Mortgage and loan interest expense                           | 29,970             | 12,498               | 42,468               | 26,606             | 12,021               | 38,627               |
| General and administrative expenses                          | 4,946              | 1,959                | 6,905                | 4,924              | 2,111                | 7,035                |
| Other  | 625                | 266                  | 891                  | 339                | 205                  | 544                  |
| Fair value (gain) loss attributable to investment properties | 44,863             | 3,899                | 48,762               | 72,057             | 23,459               | 95,516               |
| Income tax (recovery) expense                                | —                  | 1,462                | 1,462                | —                  | (3,350)              | (3,350)              |
| <b>Net income (loss)</b>                                     | <b>\$ (28,509)</b> | <b>\$ (2,622)</b>    | <b>\$ (31,131)</b>   | <b>\$ (52,352)</b> | <b>\$ (17,807)</b>   | <b>\$ (70,159)</b>   |
| Non-controlling interests                                    | (1,954)            | —                    | (1,954)              | 2,270              | (227)                | 2,043                |
| <b>Net income (loss) attributable to owners</b>              | <b>\$ (30,463)</b> | <b>\$ (2,622)</b>    | <b>\$ (33,085)</b>   | <b>\$ (54,622)</b> | <b>\$ (17,580)</b>   | <b>\$ (72,202)</b>   |
| <b>Weighted average share<sup>(i)</sup></b>                  | <b>30.0%</b>       | <b>30% to 33.57%</b> | <b>30% to 33.57%</b> | <b>30.0%</b>       | <b>30% to 33.57%</b> | <b>30% to 33.57%</b> |
| <b>Share of net income (loss)</b>                            | <b>\$ (9,139)</b>  | <b>\$ (845)</b>      | <b>\$ (9,984)</b>    | <b>\$ (16,387)</b> | <b>\$ (5,496)</b>    | <b>\$ (21,883)</b>   |

(i) For certain investment properties located in Germany, held by the REIT's European joint venture, the REIT holds a direct 5% share. As a result, the effective interest in the entities that hold the subject investment properties is 33.57%.

The fair value movements of investment properties in the JVs have been determined using the same valuation methodologies as the REIT (see note 3).

For the three and six months ended June 30, 2024, included in the REIT's share of income (loss) on a gross basis is \$1.2 million and \$2.4 million of interest expense, respectively, related to loan balances outstanding between

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the REIT and the European JV, (three and six months ended June 30, 2023 - \$1.1 million and \$2.5 million) and \$1.2 million and \$2.3 million, respectively, for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - \$1.5 million and \$2.4 million) of management fee expenses relating to management services provided by the REIT to the joint ventures.

**6. Financial Instruments**

Financial instruments consist of interest rate derivative contracts and foreign exchange contracts recorded at fair value through profit and loss. The following table illustrates the classification of the REIT's financial instruments that have been recorded at fair value:

| Recurring measurements:            | Level 1<br>Quoted prices in<br>active markets<br>for identical<br>assets | Level 2<br>Significant<br>other<br>observable<br>inputs | Level 3<br>Significant<br>unobservable<br>inputs | June 30,<br>2024  | December 31,<br>2023 |
|------------------------------------|--|---|--|-------------------|----------------------|
| Financial assets:                  |  |   |  |                   |                      |
| Interest rate derivatives          | —  | \$ 34,664   | —  | \$ 34,664         | 25,865               |
| Foreign exchange contracts         | —  | 41  | —  | 41                | 192                  |
| <b>Total financial assets</b>      | <b>\$ —</b>  | <b>\$ 34,705</b>  | <b>\$ —</b>                                      | <b>\$ 34,705</b>  | <b>\$ 26,057</b>     |
| Financial liabilities:             |  |   |  |                   |                      |
| Interest rate derivatives          | —  | \$ (1,541)  | —  | \$ (1,541)        | (6,564)              |
| Foreign exchange contracts         | —  | (83)  | —  | (83)              | (10)                 |
| <b>Total financial liabilities</b> | <b>\$ —</b>  | <b>\$ (1,624)</b>                                       | <b>\$ —</b>                                      | <b>\$ (1,624)</b> | <b>\$ (6,574)</b>    |

The REIT is party to interest rate derivative contracts with respect to certain variable rate mortgages and term debts related to and secured by its investment properties in Europe and North America, as well as portions of its credit facilities in Australasia. The total notional amount of the interest rate derivatives' related debt as at June 30, 2024 is \$1.8 billion (December 31, 2023 - \$1.9 billion) (note 19).

During the three and six months ended June 30, 2024, the REIT partially settled interest rate derivative swaps in North America with a fair value of \$5.1 million as a result of repayments of directly associated property level debt using proceeds from the disposition of investment properties (note 4), reducing the notional amount of term debt from \$310.5 million (US\$227.0 million) to \$188.0 million (US\$137.2 million).

During the three and six months ended June 30, 2024, the REIT entered into interest rate swaps in respect of its Australasian secured term financing for total notional value of debt of \$62.5 million (NZ\$75 million) and a term of 2 years, resulting in a reduction in the effective interest rate on the notional amount by approximately 80 basis points from the variable rate for the three months ended June 30, 2024. Subsequent to June 30, 2024, the REIT entered into interest rate swaps for an additional notional value of \$20.8 million (NZ\$25 million) with a term of 2 years (note 20).

The REIT further entered into interest rate derivatives in respect of certain US dollar denominated credit facilities to reduce the effective interest rate on the notional debt amount of \$32.2 million by approximately 190 basis points from the variable rate for the three months ended June 30, 2024.

The components of the gain (loss) attributable to financial instruments are as follows:

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 six months ended June 30, 2024 and 2023

Unaudited

|   | For the three months ended June 30, |           | For the six months ended June 30, |           |
|---|-------------------------------------|-----------|-----------------------------------|-----------|
|   | 2024                                | 2023      | 2024                              | 2023      |
| Fair value adjustment - interest rate derivatives   | \$ 5,744                            | \$ 35,374 | \$ 14,029                         | \$ 18,022 |
| Receipts/(payments) under financial instruments     | —                                   | (298)     | —                                 | (114)     |
| Fair value adjustment - foreign exchange contracts  | 82                                  | —         | (71)                              | —         |
| Fair value adjustment - other financial instruments | (89)                                | 2,905     | (2,609)                           | 2,881     |
|   | \$ 5,737                            | \$ 37,981 | \$ 11,349                         | \$ 20,789 |

- (i) The REIT has a non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties.

**7. Other Assets**

| As at  | June 30, 2024 | December 31, 2023 |
|--|---------------|-------------------|
| Investment in unlisted securities              | \$ 43,716     | \$ 76,774         |
| Loan and mortgage receivable <sup>(1)</sup>    | 16,281        | 12,118            |
| Prepaid expenses                               | 12,728        | 7,667             |
| Finance lease receivable <sup>(2)</sup>        | 7,175         | 7,001             |
| Acquisition and financing costs <sup>(3)</sup> | 6,970         | 6,759             |
| Right-of-use lease assets                      | 5,285         | 3,157             |
| Furniture and office equipment                 | 4,738         | 4,843             |
| Commodity taxes recoverable                    | 4,735         | 5,034             |
| Other  | 695           | 820               |
|  | \$ 102,323    | \$ 124,173        |

- (1) As at June 30, 2024, the loan and mortgage receivable includes an \$5.6 million loan amortizing loan over 10 years for tenant fit out work related to Vital Trust, and a \$4.8 million deferred settlement arrangement accruing interest that will be maturing in December 2025.
- (2) Finance lease receivable relates to a long-term land lease with a third party, which has a discount rate of 7.0% and a remaining lease term of 64 years.
- (3) Acquisition and financing costs relate to potential acquisitions, property development planning, and debt refinancing which are currently undergoing due diligence and/or negotiation.

The REIT has a non-controlling investment interest in unlisted securities of an Australian healthcare fund that invests in and holds investment properties. The REIT received distribution income of \$0.4 million and \$1.0 million during the three and six months ended June 30, 2024 (June 30, 2023 - \$2.0 million and \$4.2 million) which is recognized as part of interest and other income in the statement of net income (loss) and comprehensive income (loss). During three and six months ended June 30, 2024, the REIT redeemed units in these unlisted securities at their carrying value of approximately \$15.3 million and \$30.8 million, respectively.

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

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### 8. Mortgages and Loans Payable

| As at   |           | June 30, 2024    | December 31, 2023   |
|---|-----------|------------------|---------------------|
| Mortgages payable, net of financing costs                                 | \$        | 693,297          | \$ 733,934          |
| Term debt, net of financing costs   |           | 2,228,985        | 2,417,423           |
| Credit facilities, net of financing costs                                 |           | 413,747          | 450,376             |
| Lease liabilities <sup>(1)</sup>  |           | 14,405           | 14,370              |
| Total Mortgages and loans payable   | \$        | 3,350,434        | \$ 3,616,103        |
| Less: Liabilities related to assets held for sale, net of financing costs |           | —                | 18,485              |
| <b>Mortgages and loans payable</b>  | <b>\$</b> | <b>3,350,434</b> | <b>\$ 3,597,618</b> |
| Current portion of mortgages and loans payable                            |           | 690,374          | 337,062             |
| Non-current portion of mortgages and loans payable <sup>(2)</sup>         | \$        | 2,660,060        | \$ 3,260,556        |
| <b>Total mortgages and loans payable</b>                                  | <b>\$</b> | <b>3,350,434</b> | <b>\$ 3,597,618</b> |

- (1) Lease liabilities include a finance lease related to leased land on which one of the REIT's investment properties is built. The remaining term of the lease as at June 30, 2024 is 64 years.
- (2) The REIT's credit facility, term loans, and mortgages are subject to financial and other customary covenants such as debt service coverage ratio, interest coverage ratio, unitholders' equity, valuation of investment properties, and market price of the REIT and Vital Trust units (see note 19). The REIT's classification of current and non-current mortgages and loans payable relies on covenants which are forecasted for periods after the reporting date. As at June 30, 2024, the REIT complied with the covenants, and expects to be able to comply with the applicable contractual requirements for at least 12 months after reporting for the mortgages and loan payable classified as non-current.

As at June 30, 2024, the scheduled principal repayments and debt maturities are as follows:

|                   | Mortgages         | Term Debts          | Credit Facilities | Finance Lease    | Total               |
|-------------------|-------------------|---------------------|-------------------|------------------|---------------------|
| 2024              | \$ 72,627         | \$ 11,640           | \$ —              | \$ 1,642         | \$ 85,909           |
| 2025              | 169,761           | 812,170             | 190,220           | 1,983            | 1,174,134           |
| 2026              | 200,395           | 86,514              | 227,005           | 1,852            | 515,766             |
| 2027              | 93,256            | 675,220             | —                 | 1,444            | 769,920             |
| 2028              | 50,054            | 463,728             | —                 | 934              | 514,716             |
| 2029 & thereafter | 109,596           | 195,595             | —                 | 6,550            | 311,741             |
|                   | \$ 695,689        | \$ 2,244,867        | \$ 417,225        | \$ 14,405        | \$ 3,372,186        |
| Financing costs   | (2,392)           | (15,882)            | (3,478)           | —                | (21,752)            |
| <b>Total</b>      | <b>\$ 693,297</b> | <b>\$ 2,228,985</b> | <b>\$ 413,747</b> | <b>\$ 14,405</b> | <b>\$ 3,350,434</b> |

The movements in the REIT's mortgages and loans, excluding finance leases, during the six months ended June 30, 2024 were as follows:

|                                      | Mortgages         | Term Debts          | Credit Facilities | Total               |
|--------------------------------------|-------------------|---------------------|-------------------|---------------------|
| Balance, beginning of period         | \$ 733,934        | \$ 2,417,423        | \$ 450,376        | \$ 3,601,733        |
| Principal amortization               | (12,492)          | (12,374)            | —                 | (24,866)            |
| Repayments                           | (83,043)          | (328,229)           | (137,851)         | (549,123)           |
| Advances and refinancing proceeds    | 53,887            | 127,218             | 98,962            | 280,067             |
| Additional financing fees incurred   | (393)             | (4,657)             | (785)             | (5,835)             |
| Amortization of finance fees         | 594               | 7,541               | 1,316             | 9,451               |
| Accretion of financial liabilities   | —                 | 4,433               | —                 | 4,433               |
| Foreign currency adjustment          | 810               | 17,630              | 1,729             | 20,169              |
| <b>Ending balance, June 30, 2024</b> | <b>\$ 693,297</b> | <b>\$ 2,228,985</b> | <b>\$ 413,747</b> | <b>\$ 3,336,029</b> |

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



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Unaudited

As at June 30, 2024, the maturities and weighted average interest rates are as follows:

|  | <b>Maturity</b>            | <b>Weighted<br/>Average Interest<br/>Rate</b> | <b>Carrying Value</b> | <b>Available to be<br/>Drawn</b> |
|--|----------------------------|---|-----------------------|----------------------------------|
| <b>Fixed rate</b>  |                            |   |                       |                                  |
| Mortgages  | January 2025 - August 2034 | 3.49 %  | \$ 457,008            |                                  |
| Term debts   | November 2027 - June 2031  | 4.40 %  | 147,324               | —                                |
| Total fixed rate debt  |                            |   | \$ 604,332            | \$ —                             |
| <b>Variable Rate</b>   |                            |   |                       |                                  |
| Mortgages  | February 2025 - June 2046  | 5.63 %  | 238,681               | —                                |
| Term debts   | January 2025 - March 2029  | 6.86 %  | 2,129,720             | 131,272                          |
| Credit facilities  | January 2025 - March 2026  | 8.41 %  | 385,048               | 31,819                           |
| Total variable rate debt   |                            |   | \$ 2,753,449          | \$ 163,091                       |
| <b>Total mortgages and loans payable, excluding the following:</b>     |                            |   | \$ 3,357,781          | \$ 163,091                       |
| Financing costs  |                            |   | (21,752)              | —                                |
| <b>Total mortgages and loans payable, excluding lease liabilities:</b> |                            |   | <b>\$ 3,336,029</b>   | <b>\$ 163,091</b>                |
| Lease liabilities  |                            | 5.28 %  | 14,405                | —                                |
| <b>Total mortgages and loans payable</b>                               |                            |   | <b>\$ 3,350,434</b>   | <b>\$ 163,091</b>                |

As at June 30, 2024, \$1.8 billion of total variable rate debts above are economically fixed using interest rate swaps and caps for a weighted average term of 22 months. \$200.7 million in mortgages are economically fixed at a weighted average interest rate of 4.11%, \$1.5 billion of term debts with variable interest rates have been economically fixed at 5.50%, and \$32.2 million of credit facilities with variable interest rates have been economically fixed at 9.65%. (note 6 and note 19).

The maximum amount available to be drawn is \$131.3 million as at June 30, 2024 in respect of Vital Trust's term debts which is subject to restrictions over the extent to which the REIT can access.

**Mortgages**

All mortgages are secured by first or second charges on specific investment properties in North America and Europe, with an estimated fair value of \$1.2 billion as at June 30, 2024 (December 31, 2023 - \$1.3 billion).

**Term debt**

As at June 30, 2024, the term debt balance, excluding financing costs, includes:

- North American term debt of \$188.0 million (December 31, 2023 - \$384.6 million), secured by a first charge on US investment properties with an estimated fair value of \$361.8 million (December 31, 2023 - \$620.7 million);
- Brazilian debt of \$287.3 million (December 31, 2023 - \$312.7 million) secured by related investment properties, and a pledge of equity over entities that indirectly own certain Brazilian investment properties with an estimated fair value of \$623.4 million (December 31, 2023 - \$719.1 million);
- Australasian term debt of \$1.1 billion (December 31, 2023 - \$1.1 billion), secured by related investment properties, and general security arrangements with an estimated fair value of \$2.8 billion (December 31, 2023 - \$2.8 billion);
- Australasian secured financing of \$159.9 million (December 31, 2023 - \$172.0 million) secured by 191,708,036 units (December 31, 2023 - 191,708,036 units) of Vital Trust held by the REIT, listed on the New Zealand Exchange; and restricted cash of \$1.7 million (note 14).
- European term debt of \$460.0 million (December 31, 2023 - \$448.5 million), secured by European investment properties with a total estimated fair value of \$838.9 million (December 31, 2023 - \$935.8 million).

**Credit facilities**

Certain revolving credit facilities with an outstanding balance of \$227.0 million (December 31, 2023 - \$231.4 million) are secured by a first or second charge on investment properties with an estimated fair value of \$342.3 million (December 31, 2023 - \$385.0 million).

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On June 28, 2024, the administrator of the Canadian Dollar Offered Rate ("CDOR") ceased publication of CDOR and replaced it with the Canadian Overnight Repo Rate Average ("CORRA") as the benchmark reference rate. The REIT amended its benchmark rates from CDOR to CORRA for draws on its revolving credit facilities on June 27, 2024 without economic impact.

**Lease liabilities**

Minimum payments and their present values are as follows:

| <b>As at</b>                                      |           | <b>June 30, 2024</b> |           | December 31, 2023 |
|---|-----------|----------------------|-----------|-------------------|
| Minimum lease payments payable:                   |           |                      |           |                   |
| Not later than one year                           | \$        | <b>2,238</b>         | \$        | 2,224             |
| Later than one year and not later than five years |           | <b>6,454</b>         |           | 6,346             |
| Later than five years                             |           | <b>30,240</b>        |           | 30,070            |
|   | \$        | <b>38,932</b>        | \$        | 38,640            |
| Future finance charges                            |           | <b>(24,527)</b>      |           | (24,270)          |
| <b>Present value of minimum lease payments</b>    | <b>\$</b> | <b>14,405</b>        | <b>\$</b> | 14,370            |
| Present value of minimum lease payments:          |           |                      |           |                   |
| Not later than one year                           | \$        | <b>2,166</b>         | \$        | 2,170             |
| Later than one year and not later than five years |           | <b>5,469</b>         |           | 5,411             |
| Later than five years                             |           | <b>6,770</b>         |           | 6,789             |
|   | \$        | <b>14,405</b>        | \$        | 14,370            |

**9. Convertible Debentures**

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

| <b>As at</b>                                   |    | <b>June 30, 2024</b> |    | December 31, 2023 |
|--|----|----------------------|----|-------------------|
| Balance, beginning of period                   | \$ | <b>320,854</b>       | \$ | 275,270           |
| Issuance of convertible debentures             |    | <b>—</b>             |    | 86,250            |
| Change in fair value of convertible debentures |    | <b>1,692</b>         |    | (40,666)          |
| Balance, end of period                         | \$ | <b>322,546</b>       | \$ | 320,854           |

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>June 30, 2024</b> |    | December 31, 2023 |
|--------------|----|----------------------|----|-------------------|
| NWH.DB.G     | \$ | <b>125,250</b>       | \$ | 124,688           |
| NWH.DB.H     |    | <b>126,140</b>       |    | 125,442           |
| NWH.DB.I     |    | <b>71,156</b>        |    | 70,724            |
| Fair Value   | \$ | <b>322,546</b>       | \$ | 320,854           |

Consistent with amendments to IAS 1 (note 2), the REIT has classified all convertible debentures as current liabilities as a result of the holders' ability to convert to REIT units at any time. The contractual maturities and conversion price of the convertible debentures are as follows:

| <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                 | \$7.25                                | March 31, 2025  | 10.00%               | Semi-annual             | June 30 and December 31       |
| NWH.DB.H                 | \$16.00                               | August 31, 2027 | 6.25%                | Semi-annual             | February 28 and August 31     |
| NWH.DB.I                 | \$10.55                               | April 30, 2028  | 7.75%                | Semi-annual             | April 30 and October 31       |

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**10. Unit-Based Compensation**

Under the Equity Incentive Plan ("EIP") that was approved in 2022, together with the previous Deferred Unit Plan ("DUP"), a maximum of 9,000,000 of the REIT's trust units are authorized to be issued.

The related activity and fair value estimates of the unit-based compensation liabilities are as follows:

| <b>As at</b>                         |    | <b>June 30, 2024</b> | December 31, 2023 |
|--------------------------------------|----|----------------------|-------------------|
| Balance, beginning of period         | \$ | <b>15,161</b>        | \$ 23,837         |
| Unit based compensation expense      |    | <b>2,819</b>         | 6,684             |
| Exercised and paid in cash           |    | <b>(315)</b>         | (1,573)           |
| Exercised and settled in Trust Units |    | <b>(1,293)</b>       | (2,943)           |
| Fair value adjustment                |    | <b>(1,161)</b>       | (10,814)          |
| Foreign exchange                     |    | <b>176</b>           | (30)              |
| Balance, end of period               | \$ | <b>15,387</b>        | \$ 15,161         |

The REIT has three separate unit-based incentive plan award types currently in place:

**Deferred Units**

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

Deferred unit compensation expense is determined upon grant based on the service commencement date and the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting period of five years. As at June 30, 2024, 2,099,798 unvested deferred units with a fair value of \$12.5 million are expected to vest between 2024 and 2026. Unit-based compensation 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.

Units outstanding under the DUP as at June 30, 2024 are as follows.

| <b>As at June 30, 2024</b>       | <b>REIT</b>      | <b>Vital Trust</b> |
|----------------------------------|------------------|--------------------|
| Balance, beginning of period     | <b>2,281,535</b> | <b>193,615</b>     |
| Granted                          | <b>197,127</b>   | —                  |
| Exercised and paid in cash       | <b>(60,120)</b>  | —                  |
| Exercised and paid in REIT units | <b>(282,606)</b> | —                  |
| Distribution entitlement         | <b>82,802</b>    | —                  |
| Balance, as at June 30, 2024     | <b>2,218,738</b> | <b>193,615</b>     |
| Units vested                     | <b>130,504</b>   | <b>182,052</b>     |

**Restricted Units**

The REIT grants restricted units ("RUs") under the EIP. The RUs granted vest 100% generally over 5 years from 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.

RU's 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 and classified as liabilities.

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

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# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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Unaudited

| As at                              | June 30, 2024  |   | December 31, 2023 |   |
|------------------------------------|----------------|---|-------------------|---|
|                                    | Number of RUs  | Weighted Average Grant Date Fair Value per unit | Number of RUs     | Weighted Average Grant Date Fair Value per unit |
| RUs outstanding, beginning of year | 940,129        | \$ 7.70   | 196,758           | \$ 12.08  |
| New grants and distributions       | 53,876         | 4.75  | 821,077           | 6.60  |
| Forfeited                          | (148)          | 4.80  | (49,654)          | 7.66  |
| Exercised and paid in cash         | —              | —   | (28,052)          | 6.32  |
| <b>RUs outstanding</b>             | <b>993,857</b> | <b>\$ 7.54</b>                                  | <b>940,129</b>    | <b>\$ 7.70</b>                                  |

The fair value of the outstanding RUs was \$0.9 million as at June 30, 2024 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 corresponding impact on compensation expense included as part of general and administrative expenses in the period in which the change occurs.

### Performance Units

The REIT grants performance units ("PUs") under the EIP with a three-year vesting 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.

| As at                              | June 30, 2024  |   | December 31, 2023 |   |
|------------------------------------|----------------|---|-------------------|---|
|                                    | Number of PUs  | Weighted Average Grant Date Fair Value per unit | Number of PUs     | Weighted Average Grant Date Fair Value per unit |
| PUs outstanding, beginning of year | 739,190        | \$ 9.60   | 706,758           | 12.12   |
| New grants and distributions       | 48,502         | 5.07  | 1,200,803         | 8.11  |
| Forfeited                          | (120)          | 5.04  | (1,168,371)       | 9.59  |
| <b>PUs outstanding</b>             | <b>787,572</b> | <b>\$ 9.33</b>                                  | <b>739,190</b>    | <b>\$ 9.60</b>                                  |

The performance units may, if specified at the time of grant, accrue distributions during the vesting period and accrued distributions will be paid by the REIT in cash or units when the applicable units vest.

The estimated fair value of the outstanding PU liability was \$0.5 million as at June 30, 2024 and is subject to both market and non-market performance measures.

| Grant dates                                | July 4, 2022 - January 17, 2024 |
|--|---------------------------------|
| Weighted average remaining term to vesting | 2.75 years                      |
| Average volatility rate                    | 27.0 %                          |
| Weighted average risk free interest rate   | 5.2 %                           |

The REIT's unit-based compensation expense (recovery) recognized as part of general and administrative expense and fair value adjustment was:

|                                 | For the three months ended June 30, |            | For the six months ended June 30, |             |
|---------------------------------|-------------------------------------|------------|-----------------------------------|-------------|
|                                 | 2024                                | 2023       | 2024                              | 2023        |
| Deferred Units                  | (1,385)                             | 1,965      | \$ 89                             | \$ 3,456    |
| Restricted Units                | 802                                 | 1,006      | 1,313                             | 1,123       |
| Performance Units               | 651                                 | 1,367      | 1,417                             | 2,105       |
| Unit-based compensation expense | 68                                  | 4,338      | \$ 2,819                          | \$ 6,684    |
| Fair value remeasurement:       |                                     |            |                                   |             |
| Deferred Units                  | (113)                               | (4,828)    | \$ (113)                          | \$ (7,442)  |
| Restricted Units                | (193)                               | (388)      | (318)                             | (454)       |
| Performance Units               | (500)                               | (2,295)    | (730)                             | (2,918)     |
| Total fair value remeasurement  | (806)                               | (7,511)    | \$ (1,161)                        | \$ (10,814) |
| Total expense (recovery)        | \$ (738)                            | \$ (3,173) | \$ 1,658                          | \$ (4,130)  |

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 six months ended June 30, 2024 and 2023

Unaudited

### 11. Unitholders' Equity

The REIT has two classes of units: (a) Trust units; and (b) special voting units. As at June 30, 2024, there are no special voting units outstanding.

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 were only issued in tandem with Class B exchangeable units and were not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units were exchanged or surrendered for REIT units, the corresponding special voting units were cancelled for no consideration. Special voting units had no economic entitlement in the REIT. However, it entitled the holder to one vote per special voting unit at any meeting of the unitholders. The REIT's Trustees had discretion in declaring distributions. As at June 30, 2024, no Class B exchangeable units and special voting units were outstanding.

The following table shows the changes in REIT units during the six months ended June 30, 2024:

|   | REIT units         | Amount              |
|---|--------------------|---------------------|
| <b>Balance, December 31, 2023</b>                                   | <b>243,292,126</b> | <b>\$ 2,525,040</b> |
| Units issued through distribution reinvestment plan <sup>(1)</sup>  | 1,013,015          | 4,689               |
| Units issued under deferred unit plan (note 10)                     | 285,412            | 1,293               |
| Units issued pursuant to conversion of Class B units <sup>(2)</sup> | 1,710,000          | 8,926               |
| <b>Balance, June 30, 2024</b>                                       | <b>246,300,553</b> | <b>\$ 2,539,948</b> |

- (1) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional REIT units at an effective discount that is determined by applying 3% to the REIT's weighted average unit trading value for the five trading days immediately preceding the relevant distribution date. For the three months ended June 30, 2024, The REIT's DRIP participation rate was 12.3%. For the six months ended June 30, 2024, the REIT's DRIP participation rate was 11.3%
- (2) On January 15, 2024, 1,710,000 Class B units were redeemed for trust units and the associated special voting units were cancelled.

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 six months ended June 30, 2024 and 2023

Unaudited

### 12. 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 non-controlling or partial interests are owned by a third party.

On June 30, 2024, the REIT acquired the minority interest of Fritz-Lang-Platz 6 and derecognized the non-controlling interest for total consideration of \$0.4 million. The difference between the consideration payable and carrying value of the non-controlling interest of \$0.7 million was recorded as a change in relative interest of non-controlling interests in the Statement of Unitholders' Equity. The REIT's ownership interest in Fritz-Lang-Platz 6 is 100.0% as at June 30, 2024.

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

|                                  | As at June 30, 2024 |                    |                    | As at December 31, 2023 |                    |              |
|----------------------------------|---------------------|--------------------|--------------------|-------------------------|--------------------|--------------|
|                                  | Vital Trust         | Fritz-Lang-Platz 6 | Total              | Vital Trust             | Fritz-Lang-Platz 6 | Total        |
| <b>REIT's ownership interest</b> | <b>28.5%</b>        | <b>100.0%</b>      |                    | 28.2%                   | 94.9%              |              |
| <b>Total assets</b>              | <b>\$2,791,193</b>  | <b>\$ —</b>        | <b>\$2,791,193</b> | \$2,736,453             | \$ 25,199          | \$2,761,652  |
| <b>Total liabilities</b>         | <b>1,251,865</b>    | <b>—</b>           | <b>1,251,865</b>   | 1,216,453               | 7,868              | 1,224,321    |
| <b>Net assets</b>                | <b>\$1,539,328</b>  | <b>\$ —</b>        | <b>\$1,539,328</b> | \$1,520,000             | \$ 17,331          | \$ 1,537,331 |
| <b>Attributable to:</b>          |                     |                    |                    |                         |                    |              |
| <b>Unitholders of the REIT</b>   | <b>\$458,915</b>    | <b>\$ —</b>        | <b>\$458,915</b>   | \$430,307               | \$ 16,068          | \$ 446,375   |
| <b>Non-controlling interests</b> | <b>1,080,413</b>    | <b>—</b>           | <b>1,080,413</b>   | 1,089,693               | 1,263              | 1,090,956    |
|                                  | <b>\$1,539,328</b>  | <b>\$ —</b>        | <b>\$1,539,328</b> | \$1,520,000             | \$ 17,331          | \$ 1,537,331 |

During the three and six months ended June 30, 2024, the REIT's ownership interests in Vital Trust and Fritz-Lang-Platz 6 were 28.5% and 100.0%, respectively.

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

|  | For the three months ended June 30, 2024 |                    |                    | For the three months ended June 30, 2023 |                    |              |
|--|--|--------------------|--------------------|--|--------------------|--------------|
|  | Vital Trust                              | Fritz-Lang-Platz 6 | Total              | Vital Trust                              | Fritz-Lang-Platz 6 | Total        |
| <b>Revenue from investment properties</b>                      | <b>\$ 35,517</b>                         | <b>\$ 490</b>      | <b>\$ 36,007</b>   | \$ 35,519                                | \$ 474             | \$ 35,993    |
| Net income (loss) attributable to:                             |  |                    |                    |  |                    |              |
| Unitholders of the REIT  | (3,321)                                  | (1,795)            | (5,116)            | (30,818)                                 | 75                 | (30,743)     |
| Non-controlling interests                                      | (4,918)                                  | 32                 | (4,886)            | (75,237)                                 | (81)               | (75,318)     |
| <b>Net income (loss)</b>                                       | <b>\$ (8,239)</b>                        | <b>\$ (1,763)</b>  | <b>\$ (10,002)</b> | \$ (106,055)                             | \$ (6)             | \$ (106,061) |
| <b>Total comprehensive income (loss) attributable to:</b>      |  |                    |                    |  |                    |              |
| Unitholders of the REIT  | 9,789                                    | (1,774)            | 8,015              | (47,498)                                 | (397)              | (47,895)     |
| Non-controlling interests                                      | 26,342                                   | 32                 | 26,374             | (117,896)                                | (104)              | (118,000)    |
| <b>Total comprehensive income (loss)</b>                       | <b>\$ 36,131</b>                         | <b>\$ (1,742)</b>  | <b>\$ 34,389</b>   | \$ (165,394)                             | \$ (501)           | \$ (165,895) |
| <b>Distributions attributable to non-controlling interests</b> | <b>\$ 7,068</b>                          | <b>\$ 2,811</b>    | <b>\$ 9,879</b>    | \$ 9,857                                 | \$ —               | \$ 9,857     |

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 six months ended June 30, 2024 and 2023

Unaudited

|  | For the six months ended June 30, 2024 |                    |                  | For the six months ended June 30, 2023 |                    |                     |
|--|--|--------------------|------------------|--|--------------------|---------------------|
|  | Vital Trust                            | Fritz-Lang-Platz 6 | Total            | Vital Trust                            | Fritz-Lang-Platz 6 | Total               |
| <b>Revenue from investment properties</b>                      | \$ 70,180                              | \$ 984             | \$ 71,164        | \$ 73,685                              | \$ 948             | \$ 74,633           |
| Net income (loss) attributable to:                             |  |                    |                  |  |                    |                     |
| Unitholders of the REIT  | (1,062)                                | (3,396)            | (4,458)          | (27,002)                               | (561)              | (27,563)            |
| Non-controlling interests                                      | 4,153                                  | (49)               | 4,104            | (66,918)                               | (69)               | (66,987)            |
| <b>Net income (loss)</b>                                       | <b>\$ 3,091</b>                        | <b>\$ (3,445)</b>  | <b>\$ (354)</b>  | <b>\$ (93,920)</b>                     | <b>\$ (630)</b>    | <b>\$ (94,550)</b>  |
| <b>Total comprehensive income (loss) attributable to:</b>      |  |                    |                  |  |                    |                     |
| Unitholders of the REIT  | 3,461                                  | (3,378)            | 83               | (51,908)                               | (650)              | (52,558)            |
| Non-controlling interests                                      | 6,976                                  | (49)               | 6,927            | (130,440)                              | (73)               | (130,513)           |
| <b>Total comprehensive income (loss)</b>                       | <b>\$ 10,437</b>                       | <b>\$ (3,427)</b>  | <b>\$ 7,010</b>  | <b>\$ (182,348)</b>                    | <b>\$ (723)</b>    | <b>\$ (183,071)</b> |
| <b>Distributions attributable to non-controlling interests</b> | <b>\$ 16,985</b>                       | <b>\$ 2,811</b>    | <b>\$ 19,796</b> | <b>\$ 19,839</b>                       | <b>\$ —</b>        | <b>\$ 19,839</b>    |

The difference between the net income (loss) and total comprehensive income (loss) is attributable to the foreign currency translation of accounts related to the REIT's net investments in Vital Trust and Fritz-Lang-Platz 6, being foreign operations of the REIT.

The REIT is subject to restrictions over the extent to which it can access cash of Vital Trust 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 interest in Vital Trust and being limited to the REIT's ownership interest of 28.5%. Similarly, the REIT is not subject to recourse over Vital Trust's borrowings and as a result, Vital Trust is restricted over the extent to which it can access the REIT's assets, debt and credit facilities.

The cash flows attributable to the non-controlling interests and the REIT during the three and six months ended June 30, 2024 were as follows:

|  | For the three months ended June 30, 2024 |                    |                   | For the three months ended June 30, 2023 |                    |                   |
|--|--|--------------------|-------------------|--|--------------------|-------------------|
|  | Vital Trust                              | Fritz-Lang-Platz 6 | Total             | Vital Trust                              | Fritz-Lang-Platz 6 | Total             |
| <b>Cash flows from (used in):</b>      |  |                    |                   |  |                    |                   |
| Operating                              | \$ 4,209                                 | \$ 85              | \$ 4,294          | \$ 13,950                                | \$ (45)            | \$ 13,905         |
| Investing                              | 35,700                                   | (1,195)            | 34,505            | 3,956                                    | 793                | 4,749             |
| Financing                              | (42,462)                                 | (34)               | (42,496)          | (15,045)                                 | (827)              | (15,872)          |
| Effect of foreign currency translation | 2,038                                    | —                  | 2,038             | (1,163)                                  | 45                 | (1,118)           |
| <b>Net change in cash</b>              | <b>\$ (515)</b>                          | <b>\$ (1,144)</b>  | <b>\$ (1,659)</b> | <b>\$ 1,698</b>                          | <b>\$ (34)</b>     | <b>\$ 1,664</b>   |
|  | For the six months ended June 30, 2024   |                    |                   | For the six months ended June 30, 2023   |                    |                   |
|  | Vital Trust                              | Fritz-Lang-Platz 6 | Total             | Vital Trust                              | Fritz-Lang-Platz 6 | Total             |
| <b>Cash flows from (used in):</b>      |  |                    |                   |  |                    |                   |
| Operating                              | \$ 22,538                                | \$ 1,891           | \$ 24,429         | \$ 12,906                                | \$ (2,079)         | \$ 10,827         |
| Investing                              | (14,220)                                 | (1,558)            | (15,778)          | (37,422)                                 | 1,645              | (35,777)          |
| Financing                              | (3,898)                                  | 95                 | (3,803)           | 23,447                                   | (2,683)            | 20,764            |
| Effect of foreign currency translation | 98                                       | (2)                | 96                | (813)                                    | —                  | (813)             |
| <b>Net change in cash</b>              | <b>\$ 4,518</b>                          | <b>\$ 426</b>      | <b>\$ 4,944</b>   | <b>\$ (1,882)</b>                        | <b>\$ (3,117)</b>  | <b>\$ (4,999)</b> |
| <b>Cash balance at period end</b>      | <b>\$ 15,772</b>                         | <b>\$ 51</b>       | <b>\$ 15,823</b>  | <b>\$ 8,804</b>                          | <b>\$ 161</b>      | <b>\$ 8,965</b>   |

For the three and six months ended June 30, 2024, The REIT generated management fees of \$3.4 million and \$7.2 million, respectively, relating to management services provided (three and six months ended June 30, 2023 - \$3.2 million expense and \$7.5 million income, respectively). Management fees from Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the economic benefit of approximately 71% of the fees; representing the non-controlling ownership interest in Vital Trust.

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

# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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For the three and six months ended June 30, 2024 and 2023

Unaudited

### 13. Rental Revenue

The components of rental revenue are as follows:

|                                       | For the three months ended June 30, |                   | For the six months ended June 30, |                   |
|---------------------------------------|-------------------------------------|-------------------|-----------------------------------|-------------------|
|                                       | 2024                                | 2023              | 2024                              | 2023              |
| Rental income                         | \$ 96,801                           | \$ 99,853         | \$ 194,978                        | \$ 200,502        |
| Operating cost recoveries             | 13,866                              | 15,248            | 28,493                            | 31,319            |
| Property tax and insurance recoveries | 6,396                               | 9,276             | 25,104                            | 25,877            |
| Other revenue                         | 2,078                               | 2,127             | 4,111                             | 4,130             |
| <b>Rental revenue</b>                 | <b>\$ 119,141</b>                   | <b>\$ 126,504</b> | <b>\$ 252,686</b>                 | <b>\$ 261,828</b> |

### 14. Supplemental Cash Flow Information

#### Cash, Cash Equivalents, and Restricted Cash

| As at  | June 30, 2024 | December 31, 2023 |
|--|---------------|-------------------|
| Cash and cash equivalents                        | \$ 61,482     | \$ 72,030         |
| Restricted cash <sup>(i)</sup>                   | 3,265         | 60                |
| Total cash, cash equivalents and restricted cash | \$ 64,747     | \$ 72,090         |

(i) Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral, \$1.7 million that forms part of the security for the REIT's Australasian Secured Financing, and \$1.0 million that forms part of the security for certain European mortgages (note 8).

#### Changes in Non-Cash Working Capital Balances

|  | For the three months ended June 30, |           | For the six months ended June 30, |            |
|--|-------------------------------------|-----------|-----------------------------------|------------|
|  | 2024                                | 2023      | 2024                              | 2023       |
| Accounts receivable                          | 720                                 | \$ 9,745  | (6,197)                           | \$ (9,733) |
| Other assets                                 | 2,831                               | 12,952    | (11,580)                          | 8,358      |
| Accounts payable and accrued liabilities     | (17,576)                            | (2,153)   | 6,508                             | 4,819      |
| Changes in non-cash working capital balances | \$ (14,025)                         | \$ 20,544 | \$ (11,269)                       | \$ 3,444   |

#### Non-Cash Financing and Investing Activities

|  | For the three months ended June 30, |           | For the six months ended June 30, |           |
|--|-------------------------------------|-----------|-----------------------------------|-----------|
|  | 2024                                | 2023      | 2024                              | 2023      |
| Non-cash distributions to unitholders under the DRIP (note 11) | \$ 2,624                            | \$ 9,160  | \$ 4,689                          | \$ 18,222 |
| Non-cash conversion of Class B exchangeable units (note 11)    | —                                   | —         | 8,926                             | —         |
| Units issued under unit-based compensation plan (note 10)      | 49                                  | 1,205     | 1,293                             | 1,205     |
| Total non-cash financing and investing activities              | \$ 2,673                            | \$ 10,365 | \$ 14,908                         | \$ 19,427 |

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**

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Unaudited

**Finance expense (income)**

|   | For the three months ended June 30, |            | For the six months ended June 30, |            |
|---|-------------------------------------|------------|-----------------------------------|------------|
|   | 2024                                | 2023       | 2024                              | 2023       |
| Amortization of deferred financing costs            | \$ 4,271                            | \$ 2,993   | \$ 9,451                          | \$ 5,963   |
| Distributions on Exchangeable Units                 | —                                   | 342        | (63)                              | 684        |
| Fair value adjustment of Class B exchangeable units | —                                   | (3,745)    | 205                               | (5,506)    |
| Accretion of financial liabilities                  | 424                                 | 745        | 4,432                             | 5,788      |
| Fair value adjustment of Convertible Debentures     | (4,283)                             | (10,981)   | 1,692                             | (14,179)   |
| Convertible Debenture issuance costs                | —                                   | 4,489      | 27                                | 4,510      |
| Total finance expense (income), net                 | \$ 412                              | \$ (6,157) | \$ 15,744                         | \$ (2,740) |

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# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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### 15. Segmented Information

The REIT operates in one industry segment being the healthcare real estate industry; however the REIT monitors and operates its North American, Brazilian, European, Australasian, and Corporate operations separately. The CEO assesses the performance of each of these operating segments based on a measure of operating income (loss). The material accounting policies for each of the segments are the same as those for the REIT.

During the three and six months ended June 30, 2024, one tenant in Brazil accounted for 11% (for the three and six months ended June 30, 2023 - 10%) of the total revenue from investment properties on a consolidated basis.

| <b>As at June 30, 2024</b>                              | <b>North America</b> | <b>Brazil</b>    | <b>Europe</b>    | <b>Australasia</b> | <b>Corporate</b>   | <b>Total</b>     |
|---|----------------------|------------------|------------------|--------------------|--------------------|------------------|
| Investment properties                                   | \$ 1,372,287         | \$ 702,715       | \$ 1,428,288     | \$ 2,807,530       | \$ —               | \$ 6,310,820     |
| Mortgages and loans payable                             | 568,268              | 280,922          | 775,399          | 1,151,623          | 574,222            | 3,350,434        |
| <b>As at December 31, 2023</b>                          | <b>North America</b> | <b>Brazil</b>    | <b>Europe</b>    | <b>Australasia</b> | <b>Corporate</b>   | <b>Total</b>     |
| Investment properties                                   | \$ 1,646,758         | \$ 818,170       | \$ 1,587,530     | \$ 2,822,202       | \$ —               | \$ 6,874,660     |
| Mortgages and loans payable                             | 764,952              | 305,106          | 782,853          | 1,122,344          | 622,363            | 3,597,618        |
| <b>For the three months ended June 30, 2024</b>         | <b>North America</b> | <b>Brazil</b>    | <b>Europe</b>    | <b>Australasia</b> | <b>Corporate</b>   | <b>Total</b>     |
| <b>Operating Income</b>                                 |                      |                  |                  |                    |                    |                  |
| Revenue from investment properties                      | \$ 38,924            | \$ 14,264        | \$ 28,052        | \$ 37,901          | \$ —               | \$ 119,141       |
| Property operating costs                                | 14,224               | —                | 5,361            | 5,580              | —                  | 25,165           |
| <b>Net property operating income</b>                    | <b>\$ 24,700</b>     | <b>\$ 14,264</b> | <b>\$ 22,691</b> | <b>\$ 32,321</b>   | <b>\$ —</b>        | <b>\$ 93,976</b> |
| <b>Other Income</b>                                     |                      |                  |                  |                    |                    |                  |
| Interest and other                                      | 118                  | 121              | 168              | 1,659              | 1,290              | 3,356            |
| Management fees   | 12                   | —                | 711              | 2,643              | —                  | 3,366            |
| Share of income (loss) from equity accounted investment | —                    | —                | (1,449)          | (11,850)           | —                  | (13,299)         |
|   | \$ 130               | \$ 121           | \$ (570)         | \$ (7,548)         | \$ 1,290           | \$ (6,577)       |
| Mortgage and loan interest expense                      | 9,398                | 5,929            | 8,825            | 10,405             | 19,199             | 53,756           |
| General and administrative expenses                     | 1,349                | 533              | 2,667            | 6,495              | 2,410              | 13,454           |
| Transaction costs                                       | 148                  | 99               | 1,035            | 1,336              | 1,949              | 4,567            |
| Foreign exchange (gain) loss                            | 2                    | 595              | (3)              | 382                | (115)              | 861              |
|   | \$ 10,897            | \$ 7,156         | \$ 12,524        | \$ 18,618          | \$ 23,443          | \$ 72,638        |
| <b>Operating income (loss)</b>                          | <b>\$ 13,933</b>     | <b>\$ 7,229</b>  | <b>\$ 9,597</b>  | <b>\$ 6,155</b>    | <b>\$ (22,153)</b> | <b>\$ 14,761</b> |

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# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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Unaudited

| For the three months ended<br>June 30, 2023             | North<br>America | Brazil           | Europe           | Australasia       | Corporate          | Total             |
|---|------------------|------------------|------------------|-------------------|--------------------|-------------------|
| <b>Operating Income</b>                                 |                  |                  |                  |                   |                    |                   |
| Revenue from investment properties                      | 47,931           | 14,084           | 25,735           | 38,754            | —                  | 126,504           |
| Property operating costs                                | 18,821           | —                | 4,793            | 4,869             | —                  | 28,483            |
| <b>Net property operating income</b>                    | <b>\$ 29,110</b> | <b>\$ 14,084</b> | <b>\$ 20,942</b> | <b>\$ 33,885</b>  | <b>\$ —</b>        | <b>\$ 98,021</b>  |
| Other income  |                  |                  |                  |                   |                    |                   |
| Interest and other                                      | 1                | 96               | 343              | 2,306             | 1,219              | 3,965             |
| Management fees   | —                | —                | 722              | 2,979             | (6,947)            | (3,246)           |
| Share of income (loss) from equity accounted investment | —                | —                | (5,601)          | (20,270)          | —                  | (25,871)          |
|   | 1                | 96               | (4,536)          | (14,985)          | (5,728)            | (25,152)          |
| Mortgage and loan interest expense                      | 13,245           | 1,941            | 10,035           | 12,368            | 19,598             | 57,187            |
| General and administrative expenses                     | 1,677            | 544              | 3,206            | 4,078             | 6,030              | 15,535            |
| Transaction costs                                       | —                | 169              | 1,337            | 2,376             | 945                | 4,827             |
| Foreign exchange (gain) loss                            | 1                | 149              | 5                | 1,714             | (4,661)            | (2,792)           |
|   | \$ 14,923        | \$ 2,803         | \$ 14,583        | \$ 20,536         | \$ 21,912          | \$ 74,757         |
| <b>Operating income (loss)</b>                          | <b>\$ 14,188</b> | <b>\$ 11,377</b> | <b>\$ 1,823</b>  | <b>\$ (1,636)</b> | <b>\$ (27,640)</b> | <b>\$ (1,888)</b> |
| <b>For the six months ended June 30, 2024</b>           |                  |                  |                  |                   |                    |                   |
| <b>Operating Income</b>                                 |                  |                  |                  |                   |                    |                   |
| Revenue from investment properties                      | \$ 91,803        | \$ 30,738        | \$ 55,076        | \$ 75,069         | \$ —               | \$ 252,686        |
| Property operating costs                                | 40,688           | 1,704            | 10,697           | 10,169            | —                  | 63,258            |
| <b>Net property operating income</b>                    | <b>\$ 51,115</b> | <b>\$ 29,034</b> | <b>\$ 44,379</b> | <b>\$ 64,900</b>  | <b>\$ —</b>        | <b>\$ 189,428</b> |
| Other Income  |                  |                  |                  |                   |                    |                   |
| Interest and other                                      | 205              | 237              | 247              | 3,503             | 2,523              | 6,715             |
| Management fees   | 32               | —                | 1,415            | 5,769             | —                  | 7,216             |
| Share of income (loss) from equity accounted investment | —                | —                | (845)            | (9,139)           | —                  | (9,984)           |
|   | \$ 237           | \$ 237           | \$ 817           | \$ 133            | \$ 2,523           | \$ 3,947          |
| Mortgage and loan interest expense                      | 19,217           | 11,822           | 18,126           | 20,480            | 39,544             | 109,189           |
| General and administrative expenses                     | 2,704            | 1,003            | 5,795            | 10,854            | 8,635              | 28,991            |
| Transaction costs                                       | 617              | 402              | 1,279            | 1,979             | 2,657              | 6,934             |
| Foreign exchange (gain) loss                            | 2                | (2,480)          | (2)              | 697               | (11,086)           | (12,869)          |
|   | \$ 22,540        | \$ 10,747        | \$ 25,198        | \$ 34,010         | \$ 39,750          | \$ 132,245        |
| <b>Operating income (loss)</b>                          | <b>\$ 28,812</b> | <b>\$ 18,524</b> | <b>\$ 19,998</b> | <b>\$ 31,023</b>  | <b>\$ (37,227)</b> | <b>\$ 61,130</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 six months ended June 30, 2024 and 2023

Unaudited

| For the six months ended June 30, 2023                  | North America    | Brazil           | Europe            | Australasia       | Corporate          | Total             |
|---|------------------|------------------|-------------------|-------------------|--------------------|-------------------|
| <b>Operating Income</b>                                 |                  |                  |                   |                   |                    |                   |
| Revenue from investment properties                      | 101,835          | 28,980           | 50,756            | 80,257            | —                  | 261,828           |
| Property operating costs                                | 45,231           | 1,427            | 9,734             | 11,994            | —                  | 68,386            |
| <b>Net property operating income</b>                    | <b>\$ 56,604</b> | <b>\$ 27,553</b> | <b>\$ 41,022</b>  | <b>\$ 68,263</b>  | <b>\$ —</b>        | <b>\$ 193,442</b> |
| Other income  |                  |                  |                   |                   |                    |                   |
| Interest and other                                      | 1                | 238              | 616               | 4,790             | 2,436              | 8,081             |
| Management fees   | —                | —                | 1,453             | 6,026             | —                  | 7,479             |
| Share of income (loss) from equity accounted investment | —                | —                | (5,496)           | (16,387)          | —                  | (21,883)          |
|   | <b>\$ 1</b>      | <b>\$ 238</b>    | <b>\$ (3,427)</b> | <b>\$ (5,571)</b> | <b>\$ 2,436</b>    | <b>\$ (6,323)</b> |
| Mortgage and loan interest expense                      | 24,936           | 3,908            | 17,255            | 24,038            | 38,706             | 108,843           |
| General and administrative expenses                     | 2,764            | 1,065            | 5,503             | 8,356             | 10,883             | 28,571            |
| Transaction costs                                       | —                | 169              | 1,599             | 2,660             | 3,869              | 8,297             |
| Foreign exchange (gain) loss                            | 1                | 96               | —                 | 1,097             | (11,202)           | (10,008)          |
|   | <b>\$ 27,701</b> | <b>\$ 5,238</b>  | <b>\$ 24,357</b>  | <b>\$ 36,151</b>  | <b>\$ 42,256</b>   | <b>\$ 135,703</b> |
| <b>Operating income (loss)</b>                          | <b>\$ 28,904</b> | <b>\$ 22,553</b> | <b>\$ 13,238</b>  | <b>\$ 26,541</b>  | <b>\$ (39,820)</b> | <b>\$ 51,416</b>  |

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# NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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### 16. Commitments and Contingencies

#### Letters of Credit

- (a) The REIT obtains letters of credit to support its obligations with respect to construction work and additions to its investment properties and to satisfy mortgage financing requirements. As at June 30, 2024, the REIT has a total of \$0.9 million (December 31, 2023 - \$1.1 million) in outstanding letters of credit under the REIT's secured revolving floating rate credit facility, which forms part of the total Credit Facilities disclosed in note 8. The REIT does not expect any of these standby letters of credit to be drawn upon and, therefore, no corresponding liability has been recorded.

#### Development Commitments

- (b) The REIT has entered into acquisition and construction agreements on certain development properties and is committed to associated costs of \$143.3 million as at June 30, 2024, including \$115.2 million in Vital Trust, where timing is discretionary (December 31, 2023 - \$224.3 million).

#### Charitable Pledges

- (c) In 2022, The REIT pledged a contribution of \$5.0 million to the University of Toronto in support of research on impacts of the pandemic on health systems across the world. As at June 30, 2024, \$3.1 million has been paid by the REIT. Contributions are expensed in the period the pledge is fulfilled and incurred.

#### Guarantees

- (d) Northwest makes guarantees to subsidiaries, including those that are consolidated and equity accounted, within the group that are not expected to have a material impact to the consolidated financial statements.
- (e) Pursuant to the disposition of an Australasian investment property in 2023, the REIT has entered into agreements to provide rental guarantees for up to \$4.4 million, expiring between 2024 and 2028, which are activated if the sub-lease is terminated by reason of default of the sub-landlord. No such action has been taken or is expected and thus no provision has been recognized by the REIT.

#### Indemnities

- (f) 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.
- (g) 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.
- (h) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee, 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 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. As such, the REIT has not recognized a provision related to the indemnification.

#### Other

- (i) 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.

*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**

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Unaudited

**17. 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 hierarchy to categorize the inputs used in valuation techniques for assets and liabilities measured at fair value. 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).

In accordance with IFRS 13, if an asset or liability measured at fair value has a bid and 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 2) as a practical expedient for fair value measurement for certain unit-based liabilities.

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, by level of assets and liabilities measured at fair value in these condensed consolidated financial statements or disclosed in the notes herein as at June 30, 2024 are as follows:

|   | Carrying value | Fair Value |           |              |
|---|----------------|------------|-----------|--------------|
|   |                | Level 1    | Level 2   | Level 3      |
| Assets measured at fair value:                    |                |            |           |              |
| Investment properties <sup>(1)</sup>              | \$ 6,310,820   | \$ —       | \$ —      | \$ 6,310,820 |
| Financial instruments <sup>(2)</sup>              | 34,705         | —          | 34,705    | —            |
| Investment in unlisted securities <sup>(3)</sup>  | 43,716         | —          | —         | 43,716       |
| Assets held for sale                              | 60,216         | —          | —         | 60,216       |
| Assets recorded at amortized cost:                |                |            |           |              |
| Loans receivable                                  | 16,281         | —          | —         | 16,281       |
| Liabilities measured at fair value:               |                |            |           |              |
| Financial instruments <sup>(2)</sup>              | 1,624          | —          | 1,624     | —            |
| Convertible debentures <sup>(4)</sup>             | 322,546        | 322,546    | —         | —            |
| Unit-based compensation liabilities               | 15,387         | —          | 14,226    | 1,161        |
| Financial liabilities recorded at amortized cost: |                |            |           |              |
| Mortgages and loans payable <sup>(5)</sup>        | 3,350,434      | —          | 3,335,209 | —            |

(1) The REIT determined the estimated fair value of each investment property, with the exception of certain properties under development, using the discounted cash flow method and direct capitalization method.

(2) Certain derivative instruments are valued using valuation techniques with market-observable inputs and include the forward contracts and 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.

(3) The investment in unlisted securities is valued using internal models using observable and unobservable inputs, reflecting assumptions that market participants would use when pricing the assets.

(4) The fair value of the REIT's convertible debentures is derived using unadjusted quoted market prices obtained from an active market.

(5) The fair values 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.

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)

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Unaudited

### 18. Capital Management

Capital is comprised of the REIT's unitholders' equity, and mortgages and loans payable. The REIT is free to determine the appropriate level of capital based on with its cash flow requirements, overall business risks and potential business opportunities while adhering to the Declaration of Trust. 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 capital management 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, and unsecured debt which includes convertible debentures.

As at June 30, 2024, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 47.9% (December 31, 2023 - 47.7%).

| <b>As at</b>  | <b>June 30, 2024</b> | <b>December 31, 2023</b> |
|---|----------------------|--------------------------|
| <b>Debt</b>   |                      |                          |
| Gross value of debt excluding convertible debentures <sup>(1)</sup> | \$ 3,372,186         | \$ 3,641,465             |
| Gross value of total debt <sup>(2)</sup>                            | 3,694,732            | 3,962,319                |
| <b>Gross Book Value of Assets</b>                                   |                      |                          |
| <b>Total assets</b>   | \$ 7,040,791         | \$ 7,628,615             |
| <b>Debt-to-Gross Book Value (Declaration of Trust)</b>              | <b>47.9 %</b>        | 47.7 %                   |
| <b>Debt-to-Gross Book Value including convertible debentures</b>    | <b>52.5 %</b>        | 51.9 %                   |

(1) Gross value of debt excluding convertible debentures represents the principal balance of mortgages, credit facilities, term debt, and finance leases.

(2) Includes convertible debentures at fair value.

As at June 30, 2024, the REIT is in compliance with all financial covenants in respect of the loans and mortgages disclosed in note 8.

The REIT's debt service coverage ratio covenant is sensitive to the REIT's net income and adjusted EBITDA, as defined, and interest rates which impact the magnitude of debt service costs. Separately, the minimum equity covenant is sensitive to the REIT's net operating income and overall capitalization rates. These sensitivities also impact the REIT's estimate of fair value in connection with its investment properties at period end. The REIT is monitoring these considerations and taking steps to address the risks as it relates to its compliance assessment in future periods.

### 19. Risk Management

The REIT's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, price risk, credit risk, and currency risk. The REIT's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

#### 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.

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

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The following table sets out the REIT's contractual cash flows, which include interest payments based on interest rates applicable as at June 30, 2024, on its mortgages and loans payable and convertible debentures:

|   | Carrying Amount | Contractual Cash Flows | 2024       | 2025         | 2026       | 2027       | 2028       | Thereafter |
|---|-----------------|------------------------|------------|--------------|------------|------------|------------|------------|
| Accounts payable and accrued liabilities <sup>(i)</sup> | \$ 136,181      | \$ 136,181             | \$ 127,059 | \$ —         | \$ —       | \$ —       | \$ —       | \$ 9,122   |
| Income tax payable                                      | 10,044          | 10,044                 | 10,044     | —            | —          | —          | —          | —          |
| Distributions payable                                   | 7,414           | 7,414                  | 7,414      | —            | —          | —          | —          | —          |
| Mortgages and loans payable                             | 3,336,029       | 3,357,781              | 84,268     | 1,172,132    | 513,916    | 768,475    | 513,782    | 305,208    |
| Lease liabilities                                       | 14,405          | 14,433                 | 1,642      | 1,983        | 1,852      | 1,444      | 934        | 6,578      |
| Convertible debentures                                  | 322,546         | 366,500                | —          | 125,000      | —          | 155,250    | 86,250     | —          |
|   | \$3,826,619     | \$ 3,892,353           | \$ 230,427 | \$ 1,299,115 | \$ 515,768 | \$ 925,169 | \$ 600,966 | \$ 320,908 |

- (i) Contractual cash flows related to accounts payable and accrued liabilities includes a charitable commitment entered in 2021 and will be paid at the end of 10 years to support eligible investment initiatives in capital infrastructure or equipment.

The REIT expects to repay or refinance all debts maturing over the next 12 months using existing liquidity, net proceeds from sales of investment properties classified as assets held for sale, strategic investment property sales, sale and redemption of investment in unlisted securities, and new financings or renewed financings.

There are no assurances that the timing, amounts and terms of any refinancing, or other efforts as described above will be favorable or satisfactory to the REIT's liquidity and ability to settle loans payable as they become due.

The REIT's financial condition and results of operations would be adversely affected if it is 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.

The REIT forecasts liquidity requirements to ensure it has the ability to meet operational needs by maintaining a sufficient and available 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 the debt agreements. The REIT's financial condition and results of operations would be adversely affected if such forecasts are not achieved and if the REIT were unable to obtain cost-effective financing/refinancing or if it were unable to meet its other liquidity requirements from ongoing operating cash flows, the continued declaration of distributions may be at risk, prospectively.

### 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.

Currently, the REIT has interest rate swaps and cap contracts to mitigate some of the risks associated with its variable rate long-term debt. Premium payments and obligations under such contracts are reflected in the effective interest rates stated below. The terms of the contracts as at June 30, 2024, are:

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



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| Segment                                      | Type  | Notional Amount | Effective Date             | Average Remaining Term (months) | Effective Interest Rate | Fair Value |
|--|-------|-----------------|----------------------------|---------------------------------|-------------------------|------------|
| <b>Interest rate derivative assets</b>       |       |                 |                            |                                 |                         |            |
| North America                                | Swap  | \$ 278,415      | February 2024              | 19                              | 6.61%                   | \$ 5,076   |
| Europe (GBP)                                 | Swap  | 459,961         | March 2024                 | 16                              | 6.19%                   | 2,938      |
| Europe                                       | Caps  | 109,297         | June 2021 - June 2024      | 29                              | 2.24% - 3.40%           | 5,357      |
| Europe                                       | Swaps | 110,913         | June 2017 - September 2022 | 26                              | 2.24% - 4.60%           | 6,027      |
| Australasia                                  | Swap  | 719,490         | December 2015 - June 2024  | 24                              | 5.82% - 7.24%           | 14,871     |
| Corporate (USD)                              | Swap  | 32,177          | June 2024                  | 19                              | 9.65%                   | 381        |
| Corporate (NZD)                              | Swap  | 62,483          | May 2024                   | 27                              | 7.92%                   | 14         |
|  |       |                 |                            | 22                              |                         | \$ 34,664  |
| <b>Interest rate derivatives liabilities</b> |       |                 |                            |                                 |                         |            |
| Australasia                                  | Swap  | 178,485         | March 2023 - March 2027    | 51                              | 6.69% - 7.24%           | (1,541)    |
|  |       |                 |                            | 51                              |                         | \$ (1,541) |

Sensitivity to a 1.0% increase or decrease in the interest rate would impact net income (loss) and comprehensive income (loss) by \$33.5 million annually with all mortgages and loans, being fixed and variable rate debts, held constant (June 30, 2023 - \$37.2 million).

**Price Risk**

Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market value derived from prices of the units underlying the REIT's investments in associates may impact the value of its investments and may also impact the amount available under related financings. The market price for the REIT's trust units, the REIT's convertible debentures, units of Vital Trust, and units in unlisted securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the REIT's Trust Unit price impacts the cost of raising new capital. A sustained decline in the market price of the units of Vital Trust and unlisted securities may impact the value of the REIT's investments which may result in impairment losses, and may require the REIT to repay amounts owing under its related financings. To adapt to an increasingly volatile macro environment, the REIT amended certain covenants during the period and subsequently to provide additional flexibility. Additionally, the REIT is subject to covenants in respect of its unitholders' equity balance. These covenants may be impacted by changes in investment property valuation or changes in the REIT's capital structure.

**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. Accounts receivable consists of rental income and other revenue receivables from its commercial tenant base for monthly rental charges and interest receivable from term deposits. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

Credit risk also arises in the event that the joint venture partners default on amount owing in respect of the REIT's management fees charged, as well as the payment their proportionate share of liabilities associated with joint arrangements. The REIT is only liable for its proportionate share of the debt obligations of the joint arrangements in which it participates, except in limited circumstances. Management believes that the assets of its joint arrangements are sufficient for the purpose of satisfying any obligation of the REIT should the REIT's partner default.

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)

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### Foreign Currency Exchange Risk

The REIT has exposure to currency risk as a result of Australasian secured financing under the term debt denominated in New Zealand dollars. The REIT's Australasian secured facility balance and related interest are subject to fluctuations depending on exchange rates. The effects of such fluctuations are recognized in profit or loss in the period.

The REIT has operating subsidiaries in Europe, Brazil, US, Australia and New Zealand, and as a result has exposure to currency risk as a result of the REIT's net investments. There is significant exposure to foreign exchange translation risk on the consolidation of the REIT's investment in foreign subsidiaries.

Assets and liabilities of the REIT's foreign subsidiaries are translated at the period end exchange rate, and therefore have different values depending on exchange rate fluctuations and the effects of such fluctuations are recognized in other comprehensive income (loss). The statements of income and comprehensive income of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenue, net income (loss) and comprehensive income (loss), denominated in Canadian dollars.

The REIT monitors its foreign exchange exposure and its economic hedging strategy on an ongoing basis.

## 20. Subsequent Events

- i. On June 14, 2024, the REIT announced a distribution of \$0.03 per unit to unitholders of record on June 28, 2024 and was paid on July 15, 2024.
- ii. On July 15, 2024, the REIT announced a distribution of \$0.03 per unit to unitholders of record on July 31, 2024 and will be paid on August 15, 2024.
- iii. On August 8, 2024, the REIT's UK portfolio was sold to Assura PLC ("Assura"), a publicly-listed REIT on the London Stock Exchange (LSE: AGR) for total consideration of \$885 million, consisting of \$708 million of cash and the remaining \$177 million in shares of Assura, calculated on a 30-day VWAP basis. The REIT's stake in Assura equates to approximately 8% of Assura's public float and is subject certain disposal restrictions for period of six months following August 8, 2024. The net cash proceeds from the sale will be used to repay debts totaling \$690 million with weighted average interest rate of 7.9%. The sale of the UK portfolio represented a cap rate of 5.9%.
- iv. The REIT entered into interest rate swaps in respect of its \$159.9 million Australasian secured term financing for total notional value of debt of \$20.8 million (NZ\$25 million) and a term of 2 years, resulting in a reduction in the effective interest rate on the notional amount by approximately 80 basis points.
- v. Subsequent to June 30, 2024, the REIT sold approximately \$5 million of its investment in unlisted securities. The proceeds were used towards repaying balances outstanding on credit facilities.

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