

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(IN CANADIAN DOLLARS)**

FOR THE THREE MONTHS ENDED
MARCH 31, 2020

(UNAUDITED)



NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Condensed Consolidated Interim Balance Sheet****(in thousands of Canadian dollars)****Unaudited**

As at	Note	March 31, 2020	December 31, 2019
Assets			
Investment properties	5	\$ 5,048,151	\$ 4,928,111
Equity accounted investments	6	142,859	134,070
Intangible assets		47,240	47,264
Goodwill		41,671	41,671
Financial instruments	10	155	155
Accounts receivable		12,482	19,660
Other assets	7	55,462	65,021
Cash and cash equivalents	15	96,437	192,203
Assets held for sale	4	—	107,149
Total assets		\$ 5,444,457	\$ 5,535,304
Liabilities			
Mortgages and loans payable	8	\$ 2,415,671	\$ 2,341,391
Convertible debentures	9	268,940	391,201
Deferred unit plan liability	11	15,242	19,656
Class B exchangeable units	12	16,519	211,257
Deferred tax liability		277,115	322,166
Financial instruments	10	61,129	48,475
Income tax payable		36,859	22,331
Accounts payable and accrued liabilities		97,221	92,466
Distributions payable		11,744	10,242
Total liabilities		\$ 3,200,440	\$ 3,459,185
Unitholders' Equity			
Unitholders' equity	14	1,523,655	1,319,307
Non-controlling interest	18	720,362	756,812
Total liabilities and unitholders' equity		\$ 5,444,457	\$ 5,535,304

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 March 31,	Note	2020	2019
Net Property Operating Income			
Revenue from investment properties	13	\$ 95,594	\$ 91,933
Property operating costs		22,948	22,841
		72,646	69,092
Other Income			
Interest and other		620	1,366
Management fees		1,423	2,675
Share of profit (loss) of equity accounted investments	6	7,518	(83)
		9,561	3,958
Expenses and other			
Mortgage and loan interest expense		24,852	33,283
General and administrative expenses		7,019	6,796
Transaction costs		16,413	2,113
Foreign exchange loss		7,465	960
		55,749	43,152
Income before other finance costs, and fair value adjustments		26,458	29,898
Finance costs			
Amortization of financing costs		(1,246)	(2,822)
Amortization of mark-to-market adjustment		291	297
Class B exchangeable unit distributions	12	(2,475)	(3,542)
Fair value adjustment of Class B exchangeable units	12	88,351	(38,604)
Accretion of financial liabilities	8	(2,702)	(1,300)
Fair value adjustment of convertible debentures	9	26,210	(21,555)
Net loss on financial instruments	10	(13,820)	(8,378)
Fair value adjustment of investment properties	5	(5,234)	9,730
Fair value adjustment of deferred unit plan liability	11	3,892	(2,435)
Income (loss) before taxes		119,725	(38,711)
Income tax expense		3,665	15,317
Net income (loss)		\$ 116,060	\$ (54,028)
Net income (loss) attributable to:			
Unitholders		\$ 114,717	\$ (57,988)
Non-controlling interest		1,343	3,960
		\$ 116,060	\$ (54,028)

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 and Comprehensive Income (Loss) (cont.)****(in thousands of Canadian dollars)****Unaudited**

For the three months ended March 31,	2020		2019	
Net income (loss)	\$	116,060	\$	(54,028)
Other comprehensive income (loss) ("OCI"):				
Items that will be reclassified subsequently to income:				
Foreign currency translation adjustment	\$	(95,944)	\$	(26,707)
Realized foreign exchange gains/(losses) on hedges		—		4,179
Current taxation (expense)/recovery		—		(1,170)
Unrealized foreign exchange gains/(losses) on hedges		—		(2,750)
Deferred taxation (expense)/recovery		—		1,786
Fair value gain (loss) on net investment hedges		1,356		(2,751)
Deferred taxation (expense)/recovery		(379)		(245)
Other comprehensive loss, net of tax		(94,967)		(27,658)
Total comprehensive income (loss) for the year	\$	21,093	\$	(81,686)
Total comprehensive income (loss) attributable to:				
Unitholders	\$	51,579	\$	(79,593)
Non-controlling interests		(30,486)		(2,093)
	\$	21,093	\$	(81,686)

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

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

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interests	Total Equity
Balance, December 31, 2019		\$ 1,510,245	\$ 39,724	\$ (364,595)	\$ (140,209)	\$ 274,142	\$ 1,319,307	\$ 756,812	\$ 2,076,119
Private placement of units	14	24,941	—	—	—	—	24,941	—	24,941
Units issued through distribution reinvestment plan		4,296	—	—	—	—	4,296	1,167	5,463
Units issued on exercise of deferred units	14	445	—	—	—	—	445	—	445
Conversion of Class B LP exchangeable units	12	106,387	—	—	—	—	106,387	—	106,387
Acquisition and cancellation of REIT units under normal course issuer bid	14	(1,694)	—	—	—	—	(1,694)	—	(1,694)
Conversion of convertible debentures	14	51,483	—	—	—	—	51,483	—	51,483
Distributions		—	—	(33,089)	—	—	(33,089)	(7,131)	(40,220)
Foreign currency translation adjustments		—	—	—	(63,381)	—	(63,381)	(32,563)	(95,944)
Other comprehensive income (loss)		—	—	—	243	—	243	734	977
Net income		—	—	—	—	114,717	114,717	1,343	116,060
Balance, March 31, 2020		\$ 1,696,103	\$ 39,724	\$ (397,684)	\$ (203,347)	\$ 388,859	\$ 1,523,655	\$ 720,362	\$ 2,244,017

	Note	Unitholders' Equity	Contributed Surplus	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interests	Total Equity
Balance, December 31, 2018		\$ 953,169	\$ 39,724	\$ (264,119)	\$ (57,065)	\$ 276,013	\$ 947,722	\$ 734,826	\$ 1,682,548
Issue of share capital		136,990	—	—	—	—	136,990	—	136,990
Units issued through distribution reinvestment plan		2,303	—	—	—	—	2,303	1,317	3,620
Units issued on exercise of deferred units	14	544	—	—	—	—	544	—	544
Conversion of convertible debenture into units	14	7	—	—	—	—	7	—	7
Distributions		—	—	(22,557)	—	—	(22,557)	(7,350)	(29,907)
Foreign currency translation adjustments		—	—	—	(21,368)	—	(21,368)	(5,339)	(26,707)
Other comprehensive income (loss)		—	—	—	(236)	—	(236)	(715)	(951)
Net income (loss)		—	—	—	—	(57,988)	(57,988)	3,960	(54,028)
Balance, March 31, 2019		\$ 1,093,013	\$ 39,724	\$ (286,676)	\$ (78,669)	\$ 218,025	\$ 985,417	\$ 726,699	\$ 1,712,116

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

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

For the three months ended March 31,	Note	2020	2019
Cash provided by (used in):			
Operating activities			
Net income (loss) before taxes		\$ 119,725	\$ (38,711)
Adjustments for:			
Amortization		407	555
Mortgage and loan interest accrued		24,852	33,283
Mortgage and loans interest paid		(24,416)	(25,708)
Finance costs	15	(108,429)	67,526
Interest income		(620)	(1,366)
Share of (profit)/loss of equity accounted investments		(7,518)	83
Unrealized foreign exchange loss		7,442	2,065
Amortization of deferred revenue		—	(42)
Amortization of finance leases receivable/payable, net		(22)	(23)
Fair value adjustment of investment properties	5	5,234	(9,730)
Fair value loss on financial instruments	10	13,820	8,534
Fair value adjustment of deferred unit plan liability		(3,892)	2,435
Unit-based compensation expense	11	1,074	954
Redemption of units issued under deferred unit plan		(1,077)	(640)
Income taxes paid		(6,717)	(4,613)
Changes in non-cash working capital balances	15	18,657	1,836
Cash provided by (used in) operating activities		38,520	36,438
Investing activities			
Acquisitions of investment properties	3	(245,699)	(63,965)
Additions to investment properties	5	(39,111)	(19,524)
Net proceeds on disposal of investment property	4	103,418	—
Investment in equity accounted investments		(10,340)	(78)
Cash interest received		479	671
Distributions from equity accounted investments		2,973	—
Additions to furniture and fixtures		(61)	(44)
Net receipts (payments) from forward contract	10	—	17,157
Receipts (payments) from foreign exchange contracts		182	4,171
Net decrease (increase) to restricted cash		(1)	—
Cash provided by (used in) investing activities		(188,160)	(61,612)
Financing activities			
Mortgage and loan proceeds	8	403,207	105,930
Repayment of mortgages	8	(278,513)	(132,380)
Repurchase of units under normal course issuer bid	14	(1,694)	—
Redemption of convertible debentures	9	(44,568)	—
Proceeds from issuance of units, net of issuance costs	14	24,941	136,990
Financing fees paid		(1,191)	(1,893)
Net (payments) advances from (to) related parties		(295)	(879)
Distributions paid		(27,291)	(19,335)
Class B exchangeable units distributions paid	12	(2,475)	(3,542)
Distributions paid to non-controlling interests		(5,963)	(6,039)
Cash provided by (used in) financing activities		66,158	78,852
Net change in cash and cash equivalents		(83,482)	53,678
Effect of foreign currency translation		(12,282)	(4,850)
Net change in cash and cash equivalents		(95,764)	48,828
Cash and cash equivalents, beginning of year		192,150	45,808
Cash and cash equivalents, end of year		\$ 96,386	\$ 94,636

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)

For the three months ended March 31, 2020 and 2019

Unaudited

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

1. Basis of Preparation and Statement of Compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board. Certain information and note disclosure included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT on May 14, 2020.

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

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

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2019 with the exception of the accounting standards implemented in 2019. Changes to significant accounting policies are described below.

Accounting Standards and amendments implemented in 2020

(i) IFRS 3, Business Combinations ("IFRS 3")

On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3"), that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The REIT adopted the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard became effective. The amendments did not have a significant impact on the REIT's consolidated financial statements.

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

(in thousands of Canadian dollars)

For the three months ended March 31, 2020 and 2019

Unaudited**3. Property Acquisitions**

2020 Property Acquisitions

Region	Acquisition Cost ⁽¹⁾	Property specific debt
Europe	\$ 242,698	\$ 36,398
Other ⁽²⁾	3,001	—
Total	\$ 245,699	\$ 36,398

(1) Total acquisition costs includes transaction costs incurred with respect to acquiring the investment property assets.

(2) Other acquisitions include land and properties acquired for future developments.

4. Property Disposals

During the three months ended March 31, 2020 the REIT disposed the following properties that were classified as assets held for sale at December 31, 2019:

Region	Gross Proceeds	Property specific debt settled
Australasia	\$ 104,434	\$ —
	\$ 104,434	\$ —

(i) Proceeds excludes disposition costs of \$0.9 million

5. Investment Properties

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ 4,928,111	\$ 4,669,802
Acquisition of investment properties (note 3)	245,699	264,129
Disposition of investment properties (note 5)	—	(2,251)
Additions to investment properties	39,111	105,446
Increase in straight line rents	1,022	3,146
Reclassified as assets held for sale	—	(114,331)
Right of use asset addition	—	7,720
Fair value gain (loss)	(5,234)	210,762
Foreign currency translation	(160,558)	(216,312)
Balance, end of period	\$ 5,048,151	\$ 4,928,111

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

The estimated fair values of the investment properties at March 31, 2020 and December 31, 2019 were determined using a combination of both valuations performed by third-party appraisers and internal valuation models incorporating available market evidence. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income. Refer to Note 23 - Subsequent Events for discussion of the impact of COVID-19 on the Trust's business and operations, including the valuation of investment properties.

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)

For the three months ended March 31, 2020 and 2019

Unaudited

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

	As at March 31, 2020			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.8% - 8.0%	3.3% - 7.3%	6.0% - 10.3%
Discount rate - weighted average	7.2%	7.3%	6.1%	6.7%
Terminal capitalization rate - range	4.8% - 8.0%	6.5% - 7.5%	4.3% - 7.5%	5.3% - 9.0%
Terminal capitalization rate - weighted average	6.5%	6.9%	5.6%	6.0%
Implied capitalization rate - range	3.4% - 9.7%	6.6% - 7.7%	3.9% - 7.5%	4.4% - 9.5%
Implied capitalization rate - weighted average	6.5%	7.0%	5.7%	5.5%

	As at December 31, 2019			
	Canada	Brazil	Europe	Australasia
Discount rate - range	5.3% - 8.5%	6.8% - 8.0%	3.3% - 7.3%	6.0% - 10.3%
Discount rate - weighted average	7.2%	7.3%	6.0%	6.6%
Terminal capitalization rate - range	4.8% - 8.0%	6.5% - 7.5%	4.3% - 7.5%	5.3% - 8.9%
Terminal capitalization rate - weighted average	6.6%	6.9%	5.6%	6.1%
Implied capitalization rate - range	3.4% - 9.7%	6.6% - 7.7%	3.9% - 7.0%	4.4% - 9.5%
Implied capitalization rate - weighted average	6.5%	7.0%	5.5%	5.5%

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

Capitalization rate sensitivity increase/ (decrease)	Weighted average overall capitalization rate	Estimated fair value of investment properties	Fair value variance	% Change
(0.75)%	5.23%	\$ 5,946	\$ 898	17.79 %
(0.50)%	5.48%	\$ 5,619	\$ 570	11.30 %
(0.25)%	5.73%	\$ 5,321	\$ 272	5.40 %
— %	5.98%	\$ 5,048	—	— %
0.25 %	6.23%	\$ 4,798	\$ (250)	(4.95)%
0.50 %	6.48%	\$ 4,568	\$ (480)	(9.51)%
0.75 %	6.73%	\$ 4,355	\$ (693)	(13.73)%

The REIT engages independent valuation firms to appraise its investment properties such that one-third of the portfolio is independently appraised annually and every property is appraised at least once over a five-year period.

During the three months ended March 31, 2020, investment properties with an aggregate fair value of \$0.3 billion (for the three months ended March 31, 2019 - \$0.1 billion) were valued by external valuation professionals.

6. Equity Accounted Investments

The REIT has entered into a number of arrangements with other parties for the purpose of jointly developing, owning and operating investment properties.

Equity Accounted Investments	Location	Principal activity
NorthWest Australia HSO Trust	Australia	Own, acquire and develop investment properties
NorthWest Australia Hospital Investment Trust	Australia	Own, acquire and develop investment properties

As at March 31, 2020, the total indefinite equity commitment to the joint ventures is approximately \$3.4 billion, including 30% participation by 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**

(in thousands of Canadian dollars)

For the three months ended March 31, 2020 and 2019

Unaudited

The following table shows the changes in the carrying value of the equity accounted investments:

		March 31, 2020		December 31, 2019
Balance, beginning of period	\$	134,070	\$	—
Contributions		10,340		162,407
Share of profit (loss) for the period		7,518		(16,950)
Distributions		(1,835)		(8,006)
Foreign exchange		(7,234)		(3,381)
Balance, end of period	\$	142,859	\$	134,070

On February 19, 2020, the REIT acquired through NorthWest Australia Hospital Investment Trust 30% freehold interests in two medical research institutes.

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

		March 31, 2020		December 31, 2019
Total assets	\$	1,284,343	\$	1,236,364
Total liabilities		(809,044)		(790,404)
Net assets		475,299		445,960
Ownership Interest		30%		30%
REIT's share of net assets		142,859		134,070
Equity Accounted Investments	\$	142,859	\$	134,070

For the three months ended March 31,		2020		2019
Total revenue	\$	17,622	\$	—
Expenses				
Operating costs		(1,645)		—
Mortgage and loan interest expense		(4,245)		(275)
General and administrative expenses		(109)		—
Other		(112)		—
Fair value adjustments and transaction costs		13,547		—
Net income (loss)	\$	25,058	\$	(275)
Weighted average share of profits (loss)		30%		30%
REIT's share of income (loss)	\$	7,518	\$	(83)

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

(in thousands of Canadian dollars)

For the three months ended March 31, 2020 and 2019

Unaudited**7. Other Assets**

As at	March 31, 2020	December 31, 2019
Acquisition and financing costs (i)	\$ 3,196	\$ 7,813
Prepaid expenses and deposits	7,068	11,951
Furniture and office equipment	2,853	3,011
Loans receivable carried at amortized cost (ii)	25,050	26,282
Due from related party (iii)	3,042	2,746
Finance lease receivable (iv)	6,134	6,394
Right-of-use assets (v)	4,131	4,441
Other	3,988	2,383
	\$ 55,462	\$ 65,021

- i. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.
- ii. Loans receivable carried at amortized cost primarily relates to one interest-bearing loan secured by an Australian investment property maturing in less than two years and other interest-bearing loans by a non-wholly owned subsidiary to its non-controlling interests, secured by the non-controlling interests underlying units of the subsidiary with a term to maturity that currently extends beyond five years.
- iii. In the normal course of operations the REIT has amounts owing to and from NWVP and affiliates (Note 16). The balance is non-interest bearing without specific terms of repayment. Subsequent to quarter end the balance was settled in full.
- iv. Finance lease receivable relates to a long-term lease that is a finance lease, bearing a discount rate of 6.5% and remaining term of 68 years.
- v. Right-of-use assets are net of accumulated amortization of \$1.8 million (December 31, 2019 - \$1.4 million), see note 2 for further details.

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)

For the three months ended March 31, 2020 and 2019

Unaudited**8. Mortgages and Loans Payable**

As at	March 31, 2020	December 31, 2019
Mortgage payable, net of financing costs	\$ 971,593	\$ 909,150
Term debt, net of financing costs	1,180,822	1,282,094
Credit facilities, net of financing costs	252,407	138,825
Lease liabilities	10,849	11,322
Total	\$ 2,415,671	\$ 2,341,391
Less: Current portion	328,149	363,083
Non-current debt	\$ 2,087,522	\$ 1,978,308

Mortgages

All mortgages are secured by first or second charges on specific investment properties in Canada and Europe, with a carrying value of \$1.8 billion as at March 31, 2020 (December 31, 2019 - \$1.6 billion).

Term debt

As at March 31, 2020, term debt balance includes Brazilian secured debt of \$204.6 million (December 31, 2019 - \$244.8 million); Australian term debt of \$237.3 million (December 31, 2019 - \$342.4 million) secured by assets owned by an Australian subsidiary (excluding any non-controlling interests); New Zealand term debts of \$642.7 million (December 31, 2019 - \$596.5 million) secured by Vital Trust's security trust deed and by a first mortgage ranking over the respective investment properties of Vital Trust; and Australasian secured financing of \$105.8 million (December 31, 2019 - \$109.6 million) secured by 111,923,175 units (December 31, 2019 - 108,823,293 units) of Vital Trust held by the REIT.

Credit facilities

As at March 31, 2020, the balance outstanding includes \$199.7 million of revolving credit facilities with weighted average interest rate of 3.38% (December 31, 2019 - \$130.0 million) and \$54.0 million of non-revolving credit facilities with weighted average interest rate of 6.00% (December 31, 2019 - \$10.0 million). The revolving credit facility is secured by first and second charges on certain Canadian investment properties with an estimated fair value of \$251.4 million, and the terms of a general security agreement.

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)

For the three months ended March 31, 2020 and 2019

Unaudited**Lease liabilities**

The lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at March 31, 2020 was 68 years. In addition, as part of the transition to IFRS 16, the REIT recognized lease liabilities for leases for which the REIT act as a lessee. Minimum payments under the lease and their present values are as follows:

As at	March 31, 2020	December 31, 2019
Minimum lease payments payable:		
Not later than one year	\$ 1,659	\$ 1,715
Later than one year and not later than five years	5,568	5,858
Later than five years	29,197	30,641
	36,424	38,214
Future finance charges	(25,575)	(26,892)
Present value of minimum lease payments	\$ 10,849	\$ 11,322
Present value of minimum lease payments:		
Not later than one year	1,614	1,668
Later than one year and not later than five years	4,920	5,145
Later than five years	4,315	4,509
	\$ 10,849	\$ 11,322

As at March 31, 2020, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Term Debt	Credit Facilities	Finance Lease	Total
2020 (remainder)	\$ 138,466	\$ 13,321	\$ —	\$ 1,554	\$ 153,341
2021	161,542	249,097	54,000	1,433	466,072
2022	159,814	595,605	199,718	1,368	956,505
2023	60,656	195,345	—	1,265	257,266
2024	111,528	19,771	—	829	132,128
2025 & thereafter	341,454	117,246	—	4,400	463,100
	\$ 973,460	\$ 1,190,385	\$ 253,718	\$ 10,849	\$ 2,428,412
Financing costs	(3,577)	(9,563)	(1,311)	—	(14,451)
Mark-to-market adjustment	1,710	—	—	—	1,710
Total	\$ 971,593	\$ 1,180,822	\$ 252,407	\$ 10,849	\$ 2,415,671

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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A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable, including term debt and credit facilities, outstanding at March 31, 2020 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value	Available to be Drawn
Fixed rate				
Mortgage debt	October 2020 - March 2034	2.86%	\$ 941,249	\$ —
Term debt	March 2021 - November 2027	4.35%	694,595	127,717
Total fixed rate debt			\$ 1,635,844	\$ 127,717
Variable Rate				
Mortgage debt	July 2020 - March 2022	3.91%	32,211	—
Term debt	March 2021 - November 2031	2.63%	495,790	77,741
Credit facilities	January 2021 - November 2022	3.94%	253,718	43,282
Total variable rate debt			\$ 781,719	\$ 121,023
Total debt excluding the following:			\$ 2,417,563	\$ 248,740
Finance lease			10,849	—
Mark-to-market adjustment			1,710	—
Financing costs			(14,451)	—
Total debt			\$ 2,415,671	\$ 248,740

The table below summarize the movements in the REIT's mortgages and loans during the three months period ended March 31, 2020:

	Mortgage Debt	Term Debt	Credit Facilities	Total
Opening balance, January 1, 2020	\$909,150	\$1,282,094	\$138,825	\$2,330,069
Repayments	(6,668)	(21,329)	(250,516)	(278,513)
Advances	38,178	810	364,219	403,207
Additional financing fees incurred	(395)	(387)	(409)	(1,191)
Amortization of finance fees	323	599	324	1,246
Amortization of mark-to-market	(291)	—	—	(291)
Inflation adjustment	—	2,702	—	2,702
Foreign exchange adjustment	31,296	(83,667)	(36)	(52,407)
Ending balance, March 31, 2020	\$971,593	\$1,180,822	\$252,407	\$2,404,822

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its \$639.6 million variable rate mortgage debt as at March 31, 2020 (December 31, 2019 - \$714.9 million). The interest rate swaps terminate between 2021 and 2029, refer to note 10.

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**9. Convertible Debentures**

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

As at	March 31, 2020		December 31, 2019	
Balance, beginning of period	\$	391,201	\$	401,235
Conversion to REIT units (note 14)		(51,483)		(940)
Convertible debentures redeemed		(44,568)		(38,585)
Change in fair value of convertible debentures		(26,210)		29,491
Balance, end of period	\$	268,940	\$	391,201

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

As at	March 31, 2020		December 31, 2019	
NWH.DB	\$	—	\$	40,351
NWH.DB.D		—		55,254
NWH.DB.E		72,910		77,987
NWH.DB.F		77,280		85,137
NWH.DB.G		118,750		132,472
Fair Value	\$	268,940	\$	391,201
Current		—		95,605
Non-Current		268,940		295,596
	\$	268,940	\$	391,201

Debentures Series	Conversion price per Unit (\$)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB.E	\$12.75	July 31, 2021	5.25%	Semi-annual	January 31 and July 31
NWH.DB.F	\$12.80	December 31, 2021	5.25%	Semi-annual	June 30 and December 31
NWH.DB.G	\$13.35	December 31, 2023	5.50%	Semi-annual	June 30 and December 31

On January 17, 2020, the REIT fully repaid the \$40.3 million outstanding carrying value amount of the 5.25% NWH.DB convertible debenture series. In addition, \$47.7 million of the \$52.1 million carrying value amount 5.5% NWH.DB.D convertible debenture series were converted by the debenture holders into 4,238,308 trust units during the period (Note 14). The REIT fully repaid the remaining \$4.4 million principal balance outstanding for those debentures not converted.

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

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Unaudited**10. Financial Instruments**

As at	March 31, 2020	December 31, 2019
Financial assets:		
Foreign exchange contracts ⁽ⁱ⁾	155	155
Total financial assets	155	155
Financial liabilities:		
Interest rate swaps ⁽ⁱⁱ⁾	61,129	48,475
Total financial liabilities	\$ 61,129	\$ 48,475

Derivative financial asset

(i) The derivative financial instrument asset relates to foreign exchange contracts in place at Vital Trust. The forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices.

Derivative financial liability

(ii) The REIT has entered into interest rate swap contracts with respect to certain Canadian and German mortgages, and portions of the Vital Trust and Australia REIT term loans for a total of \$0.6 million (note 8). The interest rate derivatives mature over the next 1 to 10 years and have fixed interest rates ranging from 1.71% to 4.32%.

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

For the three months ended March 31,	2020	2019
Fair value adjustment - interest rate swaps	\$ (14,189)	\$ (15,321)
Receipts/(payments) under transaction hedging foreign exchange contracts	182	156
Fair value adjustment - foreign exchange contracts	187	95
Fair value adjustment - forward contracts	—	18,139
Fair value adjustment - option contracts	—	(14,331)
Distribution equivalent - forward contract	—	7,669
Finance costs - embedded funding contained in forward contract	—	(4,785)
	\$ (13,820)	\$ (8,378)

11. Deferred Unit Plan ("DUP") Liability

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

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

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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(a) Liability:

As at		March 31, 2020		December 31, 2019
Balance, beginning of period	\$	19,656	\$	13,030
Unit based compensation expense		1,074		8,361
Exercised and paid in cash		(1,077)		(4,092)
Exercised and settled in Trust Units		(445)		(1,135)
Fair value adjustment		(3,892)		3,600
Foreign exchange		(74)		(108)
Balance, end of period	\$	15,242	\$	19,656

The balance of the DUP liability at March 31, 2020 consists of \$14.3 million related to the REIT's DUP and \$1.0 million related to Vital Trust's DUP (December 31, 2019 - \$17.7 million related to the REIT's DUP and \$2.0 million related to Vital Trust's DUP).

Unit-based compensation expense is measured at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting year. Unit-based compensation does not qualify as an equity award and is classified as a liability. The awards are 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 compensation expense for the period.

(b) Units outstanding:

As at March 31, 2020	REIT	Vital Trust
Balance, beginning January 1, 2020	1,737,584	1,172,781
Granted	18,954	—
Exercised and paid in cash	(34,841)	(321,632)
Exercised and paid in REIT units	(48,004)	—
Forfeited	(15,814)	—
Distribution entitlement	30,565	—
Balance, as at March 31, 2020	1,688,444	851,149
Units vested but not exercised	968,614	230,429

For the three months ended March 31, 2020, the REIT and Vital Trust combined granted or issued 18,954 DUP units with a grant-date fair value of \$0.2 million (for the three months ended March 31, 2019 - 13,303 DUP units with a fair value of \$0.2 million).

12. Class B Exchangeable Units

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

On March 23, 2020, 15,998,065 Class B units held by NWVP were converted to Trust units. As at March 31, 2020, there were 1,710,000 Class B exchangeable units (December 31, 2019 - 17,708,065) of NorthWest International Healthcare Properties LP ("NWI LP") issued and outstanding with grant or issuance date fair value of \$16.5 million (December 31, 2019 - \$211.3 million).

Distributions declared on the Class B exchangeable units of NWI LP totaled \$2.5 million for the three months ended March 31, 2020 (for the three months ended March 31, 2019 - \$3.5 million) and have been accounted for as finance costs.

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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 shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2019	17,708,065	\$ 211,257
Converted to Trust units	(15,998,065)	(106,387)
Fair value adjustment		(88,351)
Balance, March 31, 2020	1,710,000	\$ 16,519

13. Rental Revenue

The components of rental revenue are as follows:

For the three months ended March 31,	2020		2019	
Rental income	\$ 72,680		\$ 69,105	
Operating cost recoveries	15,000		15,157	
Tax and insurance recoveries	5,772		5,546	
Other revenue	2,142		2,125	
Rental revenue	\$ 95,594		\$ 91,933	

14. Unitholders' Equity

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

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

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

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

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

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The following table shows the changes in REIT units:

	REIT units	Amount
Balance, December 31, 2018	103,570,247	\$ 953,169
Units issued through distribution reinvestment plan (i)	995,102	11,205
Units issued on conversion of convertible debentures (note 9)	74,975	940
Units issued under deferred unit plan (note 11)	107,342	1,135
Units issued pursuant to equity offering	48,879,000	569,546
Units issuance cost	—	(25,750)
Balance, December 31, 2019	153,626,666	\$ 1,510,245
Units issued through distribution reinvestment plan (i)	383,495	4,296
Units issued on conversion of convertible debentures (note 9)	4,244,780	51,483
Units issued under deferred unit plan (note 11)	48,004	445
Units issued pursuant to conversion of Class B units (note 12)	15,998,065	106,387
Units cancelled pursuant to NCIB (ii)	(195,000)	(1,694)
Units issued pursuant to private placement (iii)	2,049,180	25,000
Units issuance costs	—	(59)
Balance, March 31, 2020	176,155,190	\$ 1,696,103

- (i) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%. On March 24, 2020, in response to market volatility caused by the COVID-19 pandemic the Board approved the elimination of the 3% bonus distribution under the DRIP, commencing with the April 2020 distribution. The DRIP will remain suspended until further notice.
- (ii) On March 24, 2020 the TSX approved the REIT's application to proceed with a normal course issuer bid ("NCIB") for a portion of its Trust Units from time to time. Trust Units representing up to 10% of the REIT's public float may be purchased for cancellation under the NCIB, subject to certain maximum daily amounts, over the next 12 months. During the three months ended March 31, 2020, the REIT had repurchased and cancelled 195,000 units at a weighted average price per unit of \$8.69.
- (ii) In connection with a public offering of units in December 19, 2019, on January 31, 2020, the REIT closed a private placement with NWVP for gross proceeds of approximately \$25.0 million.

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**15. Supplemental Cash Flow Information**

(i) Cash and cash equivalents

As at	March 31, 2020		December 31, 2019
Cash and cash equivalents	\$	96,386	\$ 192,150
Restricted cash		51	53
	\$	96,437	\$ 192,203

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term financings (note 8).

(ii) Changes in Non-Cash Working Capital Balances

For the three months ended March 31,	2020		2019
Accounts receivable	\$	5,633	\$ 3,040
Other assets		8,332	(2,698)
Accounts payable and accrued liabilities		4,692	1,494
	\$	18,657	\$ 1,836

(iii) Non-Cash Financing and Investing Activities

For the three months ended March 31,	2020		2019
Non cash distributions to Unitholders under the DRIP (note 14)	\$	4,296	\$ 2,303
Units issued under deferred unit plan (note 11)		445	544
Non-cash conversion of convertible debentures		51,483	7
Non-cash conversion of Class B exchangeable units (note 12)		106,387	—

(iv) Finance costs

For the three months ended March 31,	2020		2019
Distributions on Exchangeable Units	\$	2,475	\$ 3,542
Accretion of financial liabilities		2,702	1,300
Amortization of deferred financing costs		1,246	2,822
Amortization of marked to market adjustment		(291)	(297)
Fair value adjustment of Convertible Debentures		(26,210)	21,555
Fair value adjustment of Class B exchangeable units		(88,351)	38,604
	\$	(108,429)	\$ 67,526

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

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16. Related Party Transactions

- (a) On January 31, 2020, the REIT completed a private placement of 2,049,180 Trust Units to NWVP for gross proceeds of approximately \$25.0 million (note 14). On March 23, 2020, 15,998,065 Exchangeable Units held by NWVP were converted to Trust Units (note 12).

As at March 31, 2020, Northwest Value Partners Inc. ("NWVP") indirectly owned approximately 15.3% (approximately 13.1% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) of the REIT through a combination of units of the REIT and Class B exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer ("CEO") of the REIT, is the sole shareholder, sole director and President of NWVP.

- (b) In the normal course of operations the REIT has amounts owing to and from NWVP and affiliates which includes compensation for CEO management services and related expense reimbursements. As at March 31, 2020, these non-interest bearing amounts without repayment terms are representative of a net asset included in other assets totaling \$3.0 million (December 31, 2019 - \$2.7 million) see note 7 for further details. Subsequent to quarter end, the balance was settled in full.
- (c) At March 31, 2020, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of \$0.1 million (December 31, 2019 - \$1.2 million), which were settled subsequent to period end.
- (d) In the normal course of operations the REIT entered into related party transactions with NWVP and affiliates in the amount of \$10.2 million during the three months ended March 31, 2020 (three months ended March 31, 2019 - \$0.1 million) relating to CEO management services (including a \$7.0 million bonus), cost-sharing and sublease agreements and reimbursement for out-of-pocket costs.

17. Segmented Information

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

During the three months ended March 31, 2020, two tenants in Brazil accounted for 13% (for the three months ended March 31, 2019 - 15%), and one tenant in Australasia operating segment accounted for 14% (for the three months ended March 31, 2019 - 15%) of the total revenue from investment properties.

As at March 31, 2020	Europe	Brazil	Australasia	Canada	Total
Investment properties	\$1,076,513	\$ 668,855	\$2,106,693	\$1,196,090	\$5,048,151
Mortgages and loans payable	\$ 489,771	\$ 198,086	\$ 882,408	\$ 845,406	\$2,415,671
As at December 31, 2019	Europe	Brazil	Australasia	Canada	Total
Investment properties	\$ 785,252	\$ 781,837	\$2,171,276	\$1,189,746	\$4,928,111
Mortgages and loans payable	\$ 424,976	\$ 236,825	\$ 941,576	\$ 738,014	\$2,341,391

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For the three months ended March 31, 2020	Europe	Brazil	Australasia	Canada	Total
Operating Income					
Revenue from investment properties	\$ 16,431	\$ 12,863	\$ 33,732	\$ 32,568	\$ 95,594
Property operating costs	3,195	—	4,210	15,543	22,948
Net property operating income	13,236	12,863	29,522	17,025	72,646
Other income					
Interest and other	22	61	446	91	620
Management fee	—	—	1,423	—	1,423
Share of income (loss) of associate	—	—	7,518	—	7,518
	22	61	9,387	91	9,561
Mortgage and loan interest expense	2,333	2,529	8,494	11,496	24,852
General and administrative expenses	1,141	352	2,968	2,558	7,019
Transaction costs	—	213	6,670	9,530	16,413
Foreign exchange (gain) loss	(33)	7	(780)	8,271	7,465
	3,441	3,101	17,352	31,855	55,749
Operating income (loss)	\$ 9,817	\$ 9,823	\$ 21,557	\$ (14,739)	\$ 26,458
For the three months ended March 31, 2019	Europe	Brazil	Australasia	Canada	Total
Operating Income					
Revenue from investment properties	\$ 11,805	\$ 14,366	\$ 34,288	\$ 31,474	\$ 91,933
Property operating costs	3,457	—	4,633	14,751	22,841
Net property operating income	8,348	14,366	29,655	16,723	69,092
Other income					
Interest and other	65	47	1,192	62	1,366
Management fee	—	—	2,675	—	2,675
Share of income (loss) of associate	—	—	(83)	—	(83)
	65	47	3,784	62	3,958
Mortgage and loan interest expense	2,080	3,399	11,648	16,156	33,283
General and administrative expenses	1,090	601	2,826	2,279	6,796
Transaction costs	17	5	1,762	329	2,113
Foreign exchange (gain) loss	2	553	(896)	1,301	960
	3,189	4,558	15,340	20,065	43,152
Operating income (loss)	\$ 5,224	\$ 9,855	\$ 18,099	\$ (3,280)	\$ 29,898

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

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18. Non-Controlling Interests

The following tables present summarized accounts for Vital Trust and two investment properties Divine, and Fritz-Lang-Platz 6, held by Australia REIT and NWI Gesundheitsimmobilien GmbH & Co. KG, respectively, where partial interest is owned by a third-party, based on the portion attributable to the non-controlling interest and the REIT:

As at March 31, 2020	Vital Trust		Divine		Fritz-Lang-Platz 6		Total
Ownership interest	24.9%		56.9%		94.9%		
Total assets	\$	1,706,948	\$	159,257	\$	21,698	\$ 1,887,903
Total liabilities		811,679		42,783		10,231	864,693
Net assets	\$	895,269	\$	116,474	\$	11,467	\$ 1,023,210
Attributable to:							
Unitholders of the REIT		225,684		66,219		10,945	302,848
Non-controlling interest		669,585		50,255		522	720,362
	\$	895,269	\$	116,474	\$	11,467	\$ 1,023,210

	For the three months ended March 31, 2020				For the three months ended March 31, 2019			
	Vital Trust	Divine	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Revenue from investment properties	\$ 23,968	\$ 1,843	\$ 380	\$ 26,191	\$ 24,750	\$ 1,864	\$ 394	\$ 27,008
Net income (loss) attributable to:								
Unitholders of the REIT	230	845	159	1,234	1,136	741	(14)	1,863
Non-controlling interest	693	642	8	1,343	3,432	525	3	3,960
Net income (loss)	\$ 923	\$ 1,487	\$ 167	\$ 2,577	\$ 4,568	\$ 1,266	\$ (11)	\$ 5,823

Total comprehensive income (loss) attributable to:								
Unitholders of the REIT	(9,511)	(2,420)	157	(11,774)	(652)	(150)	16	(786)
Non-controlling interest	(28,695)	(1,833)	42	(30,486)	(1,980)	(114)	1	(2,093)
Total comprehensive income (loss)	\$ (38,206)	\$ (4,253)	\$ 199	\$ (42,260)	\$ (2,632)	\$ (264)	\$ 17	\$ (2,879)

Distributions attributable to non-controlling interest	\$ 6,415	\$ 716	\$ —	\$ 7,131	\$ 6,653	\$ 692	\$ 5	\$ 7,350
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	For the three months ended March 31, 2020				For the three months ended March 31, 2019			
	Vital Trust	Divine	Fritz-Lang-Platz 6	Total	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Cash flows from (used in):								
Operating	\$ 7,505	\$ 1,733	\$ 225	\$ 9,463	\$ 14,965	\$ 1,518	\$ 51	\$ 16,534
Investing	(26,312)	—	—	(26,312)	(4,791)	—	—	(4,791)
Financing	19,540	(1,647)	(257)	17,636	(7,580)	(1,589)	(219)	(9,388)
Effect of foreign currency translation	590	12	(2)	600	(1,763)	(4)	1	(1,766)
Net change in cash	\$ 1,323	\$ 98	\$ (34)	\$ 1,387	\$ 831	\$ (75)	\$ (167)	\$ 589

The REIT is subject to restrictions over the extent to which it can access funds of Vital Trust, Divine, and Fritz-Lang-Platz 6 in the form of cash distributions, or use assets and liabilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interests in Vital Trust, Divine, and Fritz-Lang-Platz 6, being limited to approximately 24.9%, 56.9%, and 94.9%, respectively.

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

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19. Commitments and Contingent Liabilities

- (a) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2020, the REIT has a total of \$0.2 million in outstanding letters of credit, under the REIT's secured revolving floating rate credit facility, related to construction work that is being performed on investment properties. The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.
- (b) Pursuant to the sale of two of the REIT's investment properties in 2016, the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of \$1.2 million as at March 31, 2020 (December 31, 2019 - \$1.2 million).
- (c) The REIT has entered into acquisitions and construction agreements on development properties and is committed to associated costs of \$210.8 million as at March 31, 2020 (December 31, 2019 - \$228.6 million).
- (d) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.
- (e) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

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

(in thousands of Canadian dollars)

For the three months ended March 31, 2020 and 2019

Unaudited

20. Fair Values

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

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

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Note 5 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Derivatives instruments are valued using a valuation technique with market-observable inputs (Level 2) and include the put/call option, forward contract and the interest rate swap. 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.

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

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

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The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at March 31, 2020 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 5,048,151	\$ —	\$ —	\$ 5,048,151
Financial instruments	155	—	155	—
Assets recorded at amortized cost:				
Loans receivable	25,050	—	—	25,050
Liabilities measured at fair value:				
Financial instruments	61,129	—	61,129	—
Convertible debentures	268,940	268,940	—	—
Class B LP exchangeable units	16,519	16,519	—	—
Deferred unit plan liability	15,242	15,242	—	—
Financial liabilities recorded at amortized cost:				
Mortgage and loans payable	2,415,671	—	2,432,324	—

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)

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Unaudited**21. Capital Management**

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

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

At March 31, 2020, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 44.6% (December 31, 2019 - 42.5%).

As at	March 31, 2020	December 31, 2019
Debt		
Gross value of debt excluding convertible debentures ⁽¹⁾	\$ 2,428,412	\$ 2,354,897
Gross value of total debt ⁽²⁾	2,697,352	2,746,098
Gross Book Value of Assets		
Total assets	\$ 5,444,457	\$ 5,535,304
Debt-to-Gross Book Value (Declaration of Trust)	44.6%	42.5%
Debt-to-Gross Book Value (including convertible debentures)	49.5%	49.6%

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

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

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at March 31, 2020, the REIT is in compliance with all such financial covenants.

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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22. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the annual consolidated financial statements as at and for the years ended December 31, 2019 and December 31, 2018, except as noted below.

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 COVID-19 pandemic has created significant uncertainty in the general economy which may impact the ability of tenants to meet their obligations under their leases. The REIT continues to assess the effect of economic conditions on the creditworthiness of tenants. As part of this assessment, the REIT reviews the risk profiles of its tenant base to assess which tenants are likely to continue meeting their obligations under their leases and which tenants are at a greater risk of default. The uncertainties arising as a result of COVID-19 did not materially impact the REIT's risk assessment at March 31, 2020.

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. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favorable terms. In light of COVID-19, the REIT has taken measures to increase liquidity and fortify its balance sheet such as increasing availability on its Credit Facilities (see note 23(iii)) and advancing the renewals of near term debt maturities.

23. Subsequent Events

- (i) During the quarter, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" was declared a pandemic by the World Health Organization. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, have caused material disruption to businesses globally resulting in an economic slowdown.

COVID-19 restrictions remain largely in place as at the reporting date and the duration and impact of the pandemic is still unknown, therefore will be hard to forecast with certainty the full scope of the short/long term consequences to the REIT.

The extent to which COVID-19 and its effect on the economy will impact our business is highly uncertain. The REIT will continue to monitor cash flow projections in light of COVID-19. Properties are valued at March 31, 2020 using highest and best use estimates. However, in the long term, certain aspects of the COVID-19 pandemic could have operational impacts on the REIT's business including rental income, occupancy, tenant inducements, future demand for space, and market rents, which all impact the underlying valuation of investment property. The REIT has provided a wider range of measurement uncertainty scenarios with respect to the impact on valuation of investment properties using a range of capitalization rates (note 5).

- (ii) Subsequent to quarter end, the REIT repurchased and cancelled an additional 605,207 units pursuant to its NCIB at a weighted average price per unit of \$9.09 (including commissions).
- (iii) On May 14, 2020, the REIT amended its revolving credit facilities to add an additional tranche with availability of \$82 million, maturing in one year, subject to renewal options at lenders' discretion. ("Tranche B"). Tranche B is secured by the six recently acquired UK hospital properties, and draws are permitted in Canadian dollars, at a floating interest rate of prime plus 1.75% or BA Plus 2.75%.

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

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- (iv) On May 14, 2020, the REIT entered into a Unit Sale Agreement, to sell 70% of the Units of its wholly-owned Australian REIT, to an institutional investor of the REIT's Australian JV, for a sale price of approximately of \$64 million. The REIT will continue to own the remaining 30% of the Australian REIT Units and certain properties that are not part of this transaction and will provide asset and property management services to the Australian REIT. The transaction is subject to normal course conditions and is expected to close in Q2, 2020.

- (v) On April 15, 2020, the REIT announced a distribution of \$0.06667 per REIT unit to unitholders of record on April 30, 2020, to be paid on May 15, 2020.

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



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