CHARTWELL retirement residences | making people's lives BETTER®

Second Quarter Report | June 30, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

Q2

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Six Months Ended June 30, 2015

Contents

Chartwell Retirement Residences ("Chartwell" or the "Trust") has prepared the following management's discussion and analysis (the "MD&A") to provide information to assist its current and prospective investors' understanding of the financial results of Chartwell for the three and six months ended June 30, 2015. This MD&A should be read in conjunction with Chartwell's unaudited, condensed consolidated interim financial statements for the three and six months ended June 30, 2015, and the notes thereto (the "Financial Statements,") the audited consolidated financial statements for the year ended December 31, 2014 and the notes thereto (the "2014 Financial Statements") and the annual Management's Discussion and Analysis for the year ended December 31, 2014 (the "2014 MD&A.") This material is available on Chartwell's website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form ("AIF") for the year ended December 31, 2014, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of August 6, 2015.

All references to "Chartwell," "we," "our," "us" or the "Trust" refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. For ease of reference "Chartwell" and the "Trust" are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document, "Q1" refers to the three-month period ended March 31; "Q2" refers to the three-month period ended June 30; "Q3" refers to the three-month period ended September 30; "Q4" refers to the three-month period ended December 31; "2015" refers to the calendar year 2015; "2014" refers to the calendar year 2014 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q2 2015 and 2015 YTD are in comparison to results from Q2 2014 and 2014 YTD, respectively.

In this document we use a number of performance measures that are not measures defined in generally accepted accounting principles ("GAAP") such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), "Same Property NOI," "Same Property Revenue," "Same Property Direct Operating Expenses," "G&A Expenses as a percentage of Revenue," "Interest Coverage Ratio," "Indebtedness Ratio," "Adjusted EBITDA," "Net Debt to Adjusted EBITDA Ratio," "Chartwell's Interest," "Distributions Declared as a Percentage of Total AFFO" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Measures"). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Please refer to the "Joint Arrangements" and "Non-GAAP Measures" sections of this MD&A for details.

The results of operations of our United States Operations segment (our "U.S. Portfolio") are reported as discontinued operations throughout this MD&A. Unless otherwise indicated, all comparative amounts have been restated to conform to the current-period presentation.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States ("U.S.") dollars are identified as U.S.$.

This document contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the "Forward-Looking Information and Risks and Uncertainties" section of this MD&A for more information.

Business Overview

Chartwell is an unincorporated, open-ended trust governed by the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada.

Our Continuum of Care:

- Independent living ("IL") - Age-qualified units/ townhouses/ bungalows with availability of providing meals and general services without personal care services available.
- Independent supported living ("ISL") - Age-qualified units/ townhouses/ bungalows with households general services and with personal care services available.
- Assisted living ("AL") - Age-qualified units with personal care services included in fee in a separate wing, floor or building.
- Memory care ("MC") - Age-qualified units with personal care services included in fee for persons with Alzheimer's disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care ("LTC") – 24-hour nursing care, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

Our Vision is... Making People's Lives Better

Our Mission is…

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents' loved ones; and
- to attract and retain employees who care about making a difference in our residents' lives.

Our Values are…

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

Trust – We believe in keeping our promises and doing the right thing

The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at June 30, 2015:

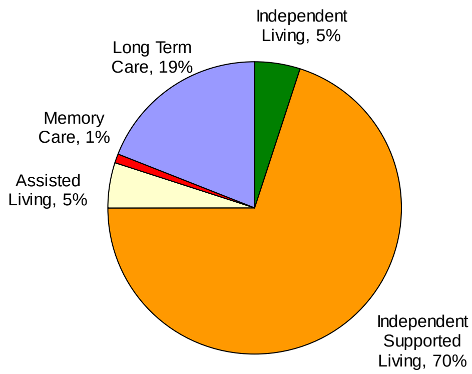
	Canadian Retirement Operations		Canadian Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Properties: (1)						
100% Owned – operating	100	12,392	24	3,139	124	15,531
Partially Owned – operating (2)	46	8,260	-	-	46	8,260
Total Owned	146	20,652	24	3,139	170	23,791
Managed Properties	4	602	4	608	8	1,210
Total	150	21,254	28	3,747	178	25,001

(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.

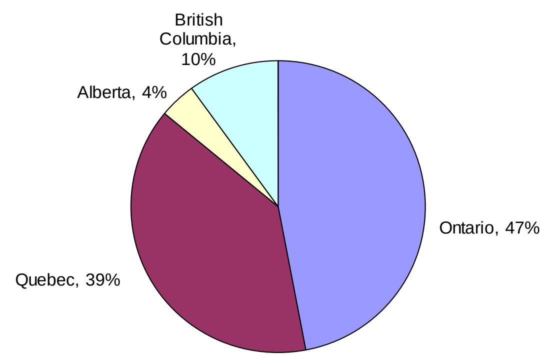
(2) We have a 50% ownership interest in these properties with the exception of two Canadian retirement properties and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned Suites at Chartwell's Share of Ownership Interest, at June 30, 2015 by:

Level of Care



Geographic Location



Business Strategy

Our business strategy is principally focused on providing quality services and care to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:

Grow core property portfolio contribution by:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

Maintain a strong financial position by:

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.
- Gradually reducing our debt levels to our targeted range.

Improve quality and efficiency of our corporate support services by:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

Build value of our real estate portfolio by:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

The following summarizes the progress we made in executing our strategy to date:

Grow core property portfolio contribution	• Improved brand awareness and online and social media strategies have generated a 4.6% increase in initial contacts and a 5.3% increase in personal visits in 2015 YTD. • Same property NOI [(1)] increased \$0.3 million or 0.6% in Q2 2015 and \$1.1 million or 1.1% in 2015 YTD. • Same property occupancy improved to 90.3% in Q2 2015, compared to 88.8% in Q2 2014, with all operating platforms posting strong occupancy gains.
Maintain a strong financial position	• At June 30, 2015, we had cash on hand [(2)] of \$423.7 million and \$31.1 million of available borrowing capacity under our secured, revolving operating credit facility ("Credit Facility.") • Interest Coverage Ratio [(1)] improved to 2.60 in Q2 2015 compared to 2.23 in Q2 2014. • Net Debt to Adjusted EBITDA Ratio [(1)] improved to 6.4 at June 30, 2015 compared to 8.8 at June 30, 2014. • Indebtedness Ratio [(1)] was 49.2% at June 30, 2015 compared to 55.0% at December 31, 2014.
Improve quality and efficiency of our corporate support services	• Ongoing update to our website generating significant improvements to several key online metrics with our web traffic increasing by 33% in Q2 2015 from Q4 2014. • Continued optimization of our unique call centre that now assists close to 1,000 prospective customers and their family members per month. • Ongoing reviews of corporate support processes generate improving and more efficient services to our operating teams.
Build value of our real estate portfolio	• Completed the sale of our U.S. Portfolio for U.S.\$847.0 million on June 30, 2015. Proceeds from the sale, after repayment of debt, amounted to approximately \$410.0 million. • Completed acquisitions of interests in five properties in Canada for \$162.6 million. • Built strong acquisitions and development pipelines which position us well to accretively reinvest the proceeds from the U.S. Portfolio sale over time.

(1) Non-GAAP; refer to the "Non-GAAP Measures" section of this MD&A.
(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$4.3 million. Refer to the "Joint Arrangements" section of this MD&A for details.

2015 Outlook

Our 2014 MD&A contains a detailed discussion of our 2015 Outlook. There were no significant changes in Q2 2015 except for the following:

U.S. Operations

On March 17, 2015, we announced a definitive agreement to sell all outstanding shares of our U.S. subsidiary CSH Master Care USA Inc. (the “U.S. Subsidiary”) through a series of transactions. The U.S. Subsidiary wholly owned our U.S. Portfolio comprised of 5,022 suites in 35 properties. This sale closed on June 30, 2015. The proceeds from the sale, after repayment of debt, estimated at approximately $410.0 million taking into account outstanding hedge contracts, are being utilized for acquisitions and development of seniors housing in Canada and for repayment of certain Canadian indebtedness.

Taxes

As a result of the sale of our U.S. Portfolio and the intended use of proceeds, we may incur cash specified investment flow-through (“SIFT”) taxes in 2016. The magnitude of such taxes is dependent on the timing of our investments in acquisitions and developments in Canada and, at this time, we do not expect the impact of such taxes to be material.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2014 MD&A. There were no significant changes to date, except as follows:

Acquisitions

On May 4, 2015, we completed the acquisition of a 94-suite retirement residence in Thunder Bay, Ontario. The purchase price was $22.1 million before closing costs and was settled in cash utilizing our Credit Facility.

On June 1, 2015, we completed the acquisition of our joint-venture partner’s 50% interests in the 117-suite Chartwell Pickering City Centre Retirement Residence (“Pickering”) and the 151-suite Chartwell Valley Vista Retirement Residence (“Valley Vista”), both located in Ontario, for $40.1 million before closing costs. We now own 100% interest in these properties. The purchase price was partially settled by the assumption of our partner’s share of mortgages, totalling $19.8 million, with the remainder paid in cash.

On July 31, 2015, we completed the acquisition of The Grenadier Retirement Residence (257 suites and 66,800 square feet of commercial space) in Toronto, Ontario for $85.0 million before closing costs. The purchase price was settled in cash.

On August 5, 2015, we completed the acquisition of an 85% interest in Chartwell L’Unique Phase II Retirement Residence (“Phase II”) in Ste. Eustache, Quebec for $15.4 million. The vendor, Batimo Inc. (“Batimo”), has retained a 15% interest in the property. This 90-suite Phase II addition is connected to the 169-suite Chartwell L’Unique Retirement Residence co-owned by Chartwell and Batimo. Phase II opened in April 2015 and is now 70% leased. The purchase price was settled by the assumption of an 85% share of the construction loan of $10.9 million, settlement of our mezzanine loan to Batimo of $1.5 million, with the remainder of the purchase price paid in cash. The construction loan bears interest at 5.0% and is expected to be refinanced with a long-term, fixed-rate mortgage upon the property achieving stabilized occupancy. Batimo provided us with a 12-month NOI guarantee of $0.2 million. The first-year unlevered yield, including NOI guarantee, is estimated at 7.0%.

Dispositions

On June 2, 2015, we completed the sale of Villa val-des-Arbres Residence (“VVDA”) in Laval, Quebec for $8.0 million. The purchase price was settled by the purchaser assuming the existing $5.2 million mortgage, a vendor take back mortgage of $1.5 million, with the balance received in cash.

On June 30, 2015, we completed the sale of our U.S. Portfolio. The gross sale price was U.S.$847.0 million. The U.S. Portfolio was encumbered by mortgage debt with the principal amount of U.S.$439.0 million as of June 30, 2015, and bearing interest at a weighted average rate of 5.85% per annum. The mortgage debt, including mortgage prepayment costs, was repaid using proceeds from the sale. To reduce the foreign exchange risk on the conversion of the expected net proceeds from the sale of the U.S. Portfolio, we entered into foreign exchange swap agreements, with a total notional principal amount of U.S.$180.0 million, that provide for a minimum CAD/USD exchange rate of $1.26 and allow us to participate in the CAD/USD exchange rate increase up to $1.34. One U.S.$90.0 million contract was settled on August 5, 2015, at the exchange rate of $1.3102. The second contract matures in September 2015. This sale allows us to fully focus on the Canadian seniors housing markets where we believe we have a strong competitive advantage due to the quality of our management platform and our scale. The sale also reduces operating risk by removing the reliance on third-party management and eliminates U.S. mortgage refinancing and foreign exchange risks.

In our Financial Statements and throughout this MD&A, the Q2 2015 and 2015 YTD results of operations of our U.S. Portfolio are reported as discontinued operations. Comparative Q2 2014 and 2014 YTD amounts have been restated to conform with this treatment.

Development

In accordance with our strategy to innovatively develop modern, market-specific and operationally efficient seniors communities that remain competitive over the long term, we maintain a moderate internal development program. We also partner with other reputable developers in order to gain access to attractive sites in strong markets.

The following table summarizes development projects that were completed in 2015 YTD and currently in progress:

Project	Location	Suites / Beds	Current Project Status	Actual / Estimated Development Costs [1] ($ millions)	Actual / Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield [2]
Chartwell Georgian Traditions Memory Care Phase II	Collingwood, ON	30	Complete	9.2	Q2 2015	Q4 2016	9.0%
Chartwell Tranquility Place Apartments Phase II [3]	Brantford, ON	30	In construction	7.7	Q4 2015	Q4 2016	7.7%
Chartwell L'Unique Phase II [4]	Ste. Eustache, QC	90	Complete	N/A	Q2 2015	Q2 2016	N/A
Chartwell Le Teasdale [5]	Terrebonne, QC	347	In construction	N/A	Q3 2016	Q3 2018	N/A
Chartwell Waterford Retirement Residence	Oakville, ON	128	Pre-development	39.9	Q2 2017	Q3 2019	8.2%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	Pre-development	35.3	Q3 2017	Q1 2020	7.9%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	Pre-development	27.5	Q3 2017	Q3 2017	8.4%
Chartwell Bankside Apartments	Kitchener, ON	58	Pre-development	17.0	Q2 2017	Q1 2019	7.8%
Chartwell Regent Park Apartments [6]	Toronto, ON	332	Pre-development	91.4	Q3 2017	Q3 2019	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	Pre-development	17.4	Q3 2017	Q3 2018	8.9%
		1,311					

(1) Non-GAAP; includes imputed cost of capital and lease-up losses.
(2) Non-GAAP; defined as first year stabilized NOI divided by development costs.
(3) Chartwell owns a 50% interest in this project.
(4) Development is undertaken by Batimo. Chartwell acquired an 85% ownership interest in this project on August 5, 2015.
(5) Development is undertaken by Batimo. Construction commenced in March 2015. Chartwell advanced a mezzanine loan of $5.9 million in Q3 2015.
(6) Chartwell owns a 90% interest in this project.

On July 13, 2015, we advanced a $5.9 million mezzanine loan to Batimo for the development of Chartwell Le Teasedale, a 347-suite retirement residence in Quebec. The loan is for a five-year term with a two-year extension option, subject to certain conditions, and bears interest at 10% per annum. We will manage the operations and lease-up of this property and intend to acquire an 85% interest in this project upon stabilization which is expected to be achieved in Q3 2018.

Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint arrangements that were previously accounted for using line-by-line proportionate ("line-by-line") consolidation to now be accounted for using the equity method. Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint arrangement is held through a separate legal entity such as a limited partnership or corporation; however, where an interest is held directly, line-by-line consolidation continues to apply.

The following table summarizes the details of our joint arrangements and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-HCN Landlord [1][2]	38	7,605	50.0%	Line-by-line
Chartwell-HCN Operator [1][2]	Same as above	Same as above	50.0%	Equity
Batimo	3	267	85.0%	Line-by-line
Oakville	1	147	50.0%	Equity
Constantia	1	121	50.0%	Equity
Riverside	1	138	50.0%	Line-by-line
Churchill	1	97	50.0%	Line-by-line
Kamloops	1	97	50.0%	Line-by-line

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.
(2) On July 2, 2014, one property (196 suites) previously held by Chartwell-HCN Landlord and operated by Chartwell-HCN Operator was sold.

On June 1, 2015, we acquired the remaining 50% interest in Pickering and Valley Vista. Prior to acquisition, we accounted for Pickering using the equity method of accounting and for Valley Vista using the line-by-line method.

Throughout this document, amounts reported 'per our Financial Statements' are prepared in accordance with IFRS, and amounts reported at 'Chartwell's Interest,' a non-GAAP measure, represent Chartwell's proportionate share of interests in our entire portfolio of investments excluding discontinued operations. Refer to the "Non-GAAP Measures – Chartwell's Interest" section of this MD&A for a detailed description of this measure.

We believe that presenting the operating and financial results of our joint arrangements at Chartwell's Interest, a non-GAAP basis, provides useful information to current and prospective investors to assist them with their understanding of our financial performance by providing transparency of revenue earned, expenses incurred, as well as assets and liabilities held through joint arrangements. Management uses this measure when making strategic and operational decisions at the portfolio level.

The following table provides a reconciliation of the Q2 2015 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q2 2015 per Financial Statements (1)	Equity Accounted Investments (2)	Q2 2015 Chartwell's Interests (3)
Revenue			
Resident	155,081	25,914	180,995
Management and other fees	1,989	-	1,989
Lease revenue from joint ventures	8,252	(8,252)	-
Interest on loans receivable	223	-	223
	165,545	17,662	183,207
Expenses			
Direct operating	112,836	16,432	129,268
General, administrative and Trust ("G&A")	7,519	-	7,519
	120,355	16,432	136,787
Income before the undernoted	45,190	1,230	46,420
Finance costs	18,510	314	18,824
Other expense/(income)	(13,649)	(25)	(13,674)
Depreciation of property, plant and equipment ("PP&E")	23,467	765	24,232
Amortization of intangible assets	154	5	159
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(12,840)	(26)	(12,866)
Share of net income from joint ventures	(197)	197	-
Income before income taxes	29,745	-	29,745
Income tax expense/(benefit)			
Deferred	789	-	789
	789	-	789
Net income from continuing operations	28,956	-	28,956
Net income from discontinued operations	326,354	-	326,354
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	(1,875)	-	(1,875)
Foreign currency translation reclassified to net income/(loss) on disposition of discontinued operations	(10,599)	-	(10,599)
Total comprehensive income	342,836	-	342,836

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the Q2 2014 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q2 2014 per Financial Statements [(1)]	Equity Accounted Investments [(2)]	Q2 2014 Chartwell's Interests [(3)]
Revenue			
Resident	149,260	25,463	174,723
Management and other fees	1,860	-	1,860
Lease revenue from joint ventures	8,306	(8,306)	-
Interest on loans receivable	83	-	83
	159,509	17,157	176,666
Expenses			
Direct operating	108,928	16,253	125,181
G&A	8,255	-	8,255
	117,183	16,253	133,436
Income before the undernoted	42,326	904	43,230
Finance costs	20,505	393	20,898
Other expense/(income)	(2,064)	(21)	(2,085)
Depreciation of PP&E	28,456	461	28,917
Amortization of intangible assets	819	6	825
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	3,790	-	3,790
Share of net income from joint ventures	(65)	65	-
Loss before income taxes	(9,115)	-	(9,115)
Income tax expense/(benefit):			
Current	398	-	398
	398	-	398
Net loss from continuing operations	(9,513)	-	(9,513)
Net income from discontinued operations	2,538	-	2,538
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	(1,971)	-	(1,971)
Total comprehensive loss	(8,946)	-	(8,946)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2015 YTD Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2015 YTD per Financial Statements (1)	Equity Accounted Investments (2)	2015 YTD Chartwell's Interests (3)
Revenue			
Resident	307,992	52,018	360,010
Management and other fees	3,913	-	3,913
Lease revenue from joint ventures	16,402	(16,402)	-
Interest on loans receivable	426	-	426
	328,733	35,616	364,349
Expenses			
Direct operating	225,471	32,988	258,459
G&A	16,187	-	16,187
	241,658	32,988	274,646
Income before the undernoted	87,075	2,628	89,703
Finance costs	36,623	662	37,285
Other expense/(income)	(14,688)	(39)	(14,727)
Depreciation of PP&E	51,499	1,616	53,115
Amortization of intangible assets	358	9	367
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(5,023)	87	(4,936)
Share of net income from joint ventures	(293)	293	-
Income before income taxes	18,599	-	18,599
Income tax expense/(benefit)			
Deferred	789	-	789
	789	-	789
Net income from continuing operations	17,810	-	17,810
Net income from discontinued operations	348,629	-	348,629
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	5,945	-	5,945
Foreign currency translation reclassified to net income/(loss) on disposition of discontinued operations	(10,599)	-	(10,599)
Total comprehensive income	361,785	-	361,785

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2014 YTD Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2014 YTD per Financial Statements (1)	Equity Accounted Investments (2)	2014 YTD Chartwell's Interests (3)
Revenue			
Resident	301,356	51,064	352,420
Management and other fees	3,708	-	3,708
Lease revenue from joint ventures	16,336	(16,336)	-
Interest on loans receivable	143	-	143
	321,543	34,728	356,271
Expenses			
Direct operating	221,658	32,488	254,146
G&A	18,190	-	18,190
	239,848	32,488	272,336
Income before the undernoted	81,695	2,240	83,935
Finance costs	39,389	786	40,175
Other expense/(income)	(4,303)	(91)	(4,394)
Depreciation of PP&E	57,229	1,356	58,585
Amortization of intangible assets	1,053	6	1,059
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	7,426	-	7,426
Share of net income from joint ventures	(183)	183	-
Loss before income taxes	(18,916)	-	(18,916)
Income tax expense/(benefit):			
Current	(1,820)	-	(1,820)
	(1,820)	-	(1,820)
Net loss from continuing operations	(17,096)	-	(17,096)
Net loss from discontinued operations	(6,749)	-	(6,749)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	783	-	783
Total comprehensive loss	(23,062)	-	(23,062)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the June 30, 2015 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s)	June 30, 2015 per Financial Statements [(1)]	Equity Accounted Investments [(2)]	June 30, 2015 Chartwell's Interests [(3)]
Assets			
Current assets:			
Cash and cash equivalents	419,493	4,254	423,747
Trade and other receivables	10,139	(918)	9,221
Capital funding receivable	5,101	-	5,101
Other assets	17,531	3,302	20,833
Total current assets	452,264	6,638	458,902
Non-current assets:			
Other assets	2,737	-	2,737
Loans receivable	11,401	-	11,401
Capital funding receivable	58,886	-	58,886
Investment in joint ventures	16,827	(16,827)	-
Intangible assets	47,557	34	47,591
PP&E	1,970,252	31,149	2,001,401
Total non-current assets	2,107,660	14,356	2,122,016
Total assets	2,559,924	20,994	2,580,918
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facilities	114,000	-	114,000
Accounts payable and other liabilities	95,267	(369)	94,898
Distributions payable	8,150	-	8,150
Mortgages payable	237,625	294	237,919
Total current liabilities	455,042	(75)	454,967
Non-current liabilities:			
Mortgages payable	1,179,258	21,069	1,200,327
Convertible debentures	148,720	-	148,720
Class B Units of Chartwell Master Care LP ("Class B Units")	18,875	-	18,875
Deferred tax liabilities	789	-	789
Total non-current liabilities	1,347,642	21,069	1,368,711
Total liabilities	1,802,684	20,994	1,823,678
Unitholders' equity	757,240	-	757,240
Total liabilities and unitholders' equity	2,559,924	20,994	2,580,918

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the December 31, 2014 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

($000s)	December 31, 2014 per Financial Statements [(1)]	Equity Accounted Investments [(2)]	December 31, 2014 Chartwell's Interests and Discontinued Operations	Discontinued Operations	December 31, 2014 Chartwell's Interests [(3)]
Assets					
Current assets:					
Cash and cash equivalents	10,927	3,705	14,632	(5,808)	8,824
Trade and other receivables	18,940	(88)	18,852	(9,106)	9,746
Capital funding receivable	4,963	-	4,963	-	4,963
Other assets	24,641	3,278	27,919	(9,600)	18,319
Assets held for sale	5,306	-	5,306	603,246	608,552
Total current assets	64,777	6,895	71,672	578,732	650,404
Non-current assets:					
Other assets	7,008	-	7,008	(4,232)	2,776
Loans receivable	9,901	-	9,901	-	9,901
Capital funding receivable	61,506	-	61,506	-	61,506
Investment in joint ventures	23,431	(23,431)	-	-	-
Intangible assets	49,025	45	49,070	(2,864)	46,206
PP&E	2,489,601	45,569	2,535,170	(571,636)	1,963,534
Total non-current assets	2,640,472	22,183	2,662,655	(578,732)	2,083,923
Total assets	2,705,249	29,078	2,734,327	-	2,734,327
Liabilities and Unitholders' Equity					
Current liabilities:					
Credit Facilities	45,500	-	45,500	-	45,500
Accounts payable and other liabilities	124,221	538	124,759	(30,348)	94,411
Distributions payable	7,954	-	7,954	-	7,954
Mortgages payable	372,184	466	372,650	(162,312)	210,338
Liabilities related to assets held for sale	6,086	-	6,086	542,558	548,644
Total current liabilities	555,945	1,004	556,949	349,898	906,847
Non-current liabilities:					
Mortgages payable	1,544,892	28,074	1,572,966	(349,898)	1,223,068
Convertible debentures	151,200	-	151,200	-	151,200
Class B Units	19,614	-	19,614	-	19,614
Total non-current liabilities	1,715,706	28,074	1,743,780	(349,898)	1,393,882
Total liabilities	2,271,651	29,078	2,300,729	-	2,300,729
Unitholders' equity	433,598	-	433,598	-	433,598
Total liabilities and unitholders' equity	2,705,249	29,078	2,734,327	-	2,734,327

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments excluding discontinued operations.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

($000s, except occupancy rates and per unit amounts)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Resident revenue [1]	180,995	174,723	6,272	360,010	352,420	7,590
Weighted average occupancy rate - same property portfolio [2]	90.3%	88.8%	1.5pp	90.4%	89.0%	1.4pp
Same property NOI [3]	48,657	48,364	293	95,974	94,900	1,074
AFFO - continuing operations [4]	25,903	21,270	4,633	49,190	44,221	4,969
AFFO per unit diluted - continuing operations [5][6]	0.15	0.12	0.03	0.28	0.25	0.03
Total AFFO [4]	34,152	31,899	2,253	65,488	61,918	3,570
Total AFFO per unit diluted [5][6]	0.19	0.18	0.01	0.36	0.35	0.01
FFO - continuing operations [7]	28,477	24,269	4,208	54,260	50,084	4,176
FFO per unit diluted - continuing operations [5][6]	0.16	0.14	0.02	0.31	0.29	0.02
Total FFO [7]	37,679	35,818	1,861	72,274	69,506	2,768
Total FFO per unit diluted [5][6]	0.21	0.20	0.01	0.40	0.39	0.01
Distributions declared [8]	24,500	23,893	607	48,615	47,559	1,056
Distributions declared per unit [6]	0.14	0.14	-	0.27	0.27	-
Distributions declared as a percentage of total AFFO [9]	71.7%	74.9%	(3.2pp)	74.2%	76.8%	(2.6pp)
Net income/(loss) - continuing operations	28,956	(9,513)	38,469	17,810	(17,096)	34,906
Net income/(loss)	355,310	(6,975)	362,285	366,439	(23,845)	390,284

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was $155.1 million in Q2 2015 and $308.0 million in 2015 YTD ($149.3 million in Q2 2014 and $301.4 million in 2014 YTD.) Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.
(2) pp = percentage points.
(3) Non-GAAP; reported at Chartwell's Interest. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.
(4) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.
(5) Includes dilutive impact of conversion of convertible debentures into Trust Units.
(6) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.
(7) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.
(8) Non-GAAP; includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").
(9) Non-GAAP; refer to the "Non-GAAP Measures – Distributions Declared as a Percentage of Total AFFO" section of this MD&A for details of this calculation.

For Q2 2015, AFFO from continuing operations was $25.9 million or $0.15 per unit diluted, a 21.8% increase from $21.3 million or $0.12 per unit diluted in Q2 2014. The following items impacted the change in AFFO from continuing operations:

- incremental AFFO from our same property portfolio of $1.1 million, primarily due to lower interest expenses and higher NOI;
- lower G&A expenses of $0.7 million, primarily due to lower legal and severance costs;
- contribution from the acquisition portfolio, net of the impact of property sales of $1.4 million; and

- early mortgage repayment costs in Q2 2014 of $2.4 million;

partially offset by:

- proceeds of the settlement of certain commodity tax matters in Q2 2014 of $0.8 million; and
- other items combined of $0.2 million.

For 2015 YTD, AFFO from continuing operations was $49.2 million or $0.28 per unit diluted, an 11.2% increase from $44.2 million or $0.25 per unit diluted in 2014 YTD. The following items impacted the change in AFFO from continuing operations:

- incremental AFFO from our same property portfolio of $3.1 million, primarily due to lower interest expenses and higher NOI;
- lower G&A expenses of $2.0 million, primarily due to lower legal and severance costs;
- contribution from the acquisition portfolio, net of the impact of property sales of $1.7 million; and
- early mortgage repayment costs in 2014 YTD of $2.4 million;
- other items combined of $0.2 million;

partially offset by:

- proceeds of the settlement of prior years' SIFT tax and certain commodity tax matters in 2014 YTD of $3.2 million; and
- the reversal of a previously-recorded provision for impairment of mezzanine loans in 2014 YTD of $1.2 million.

Total AFFO increased $2.3 million or 7.1% in Q2 2015, and increased $3.6 million or 5.8% in 2015 YTD, reflecting, in addition to the items listed above, a positive effect of the foreign exchange on our U.S. operations, partially offset by the proceeds of the settlement of litigation in the U.S. in 2014 of $3.4 million for which there was no comparable amount in 2015.

In Q2 2015, FFO from continuing operations was $28.5 million or $0.16 per unit diluted, an increase from $24.3 million or $0.14 per unit diluted in Q2 2014. For 2015 YTD, FFO from continuing operations was $54.3 million or $0.31 per unit diluted compared to $50.1 million or $0.29 per unit diluted in 2014 YTD. Total FFO increased $1.9 million or $0.01 per unit diluted in Q2 2015 and increased $2.8 million or $0.01 per unit diluted in 2015 YTD.

In addition to the items noted in the discussion of AFFO above, FFO from continuing operations was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

In Q2 2015, net income from continuing operations was $29.0 million compared to net loss from continuing operations of $9.5 million in Q2 2014. For 2015 YTD, net income from continuing operations was $17.8 million compared to net loss from continuing operations of $17.1 million in 2014 YTD. In addition to the items noted in the discussion of AFFO and FFO above, net income from continuing operations was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, changes in fair value of financial instruments, gains on sale of assets and gains on remeasurement of previously held interests in step acquisitions.

In Q2 2015, net income was $355.3 million compared to net loss of $7.0 million in Q2 2014. For 2015 YTD, net income was $366.4 million compared to net loss of $23.8 million in 2014 YTD. In addition to the items noted in the discussion of net income from continuing operations, net income was affected by the results of discontinued operations which is comprised of the results of operations of our U.S. Portfolio and the gain on sale thereof, net of tax.

Refer to the "Non-GAAP Measures" section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Canadian retirement:						
NOI (1)	41,382	41,016	366	82,255	81,002	1,253
Occupancy	88.6%	86.9%	1.7pp	88.7%	87.1%	1.6pp
Canadian LTC:						
NOI (1)	7,275	7,348	(73)	13,719	13,898	(179)
Occupancy	98.9%	98.5%	0.4pp	98.4%	98.4%	-
Combined:						
NOI (1)(2)	48,657	48,364	293	95,974	94,900	1,074
Occupancy	90.3%	88.8%	1.5pp	90.4%	89.0%	1.4pp

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

In Q2 2015, combined same property occupancy was 90.3% compared to 88.8% in Q2 2014 with same property NOI increasing $0.3 million or 0.6% as follows:

- In our Canadian retirement portfolio, same property NOI increased 0.9%. The growth in revenues, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions was partially offset by higher staffing costs incurred to improve services delivered to our residents as well as higher marketing, insurance and bad debt expenses. In the first half of 2015, we accelerated our investments in marketing activities with the related expenses increasing by $1.0 million or 56% and by $1.2 million or 40% in Q2 2015 and 2015 YTD, respectively, impacting year-over-year same property NOI growth in our Canadian retirement portfolio. We expect this trend to reverse in the second half of the year, with the annual growth in marketing costs being more in line with inflationary increases. In Q2 2015, occupancy increased 1.7 percentage points to 88.6%.
- In our Canadian LTC portfolio, same property NOI decreased 1.0%, primarily due to the timing of expenses. Occupancy remained high at 98.9% compared to 98.5% in Q2 2014.

For 2015 YTD, combined same property occupancy was 90.4% compared to 89.0% in 2014 YTD with same property NOI increasing $1.1 million or 1.1% as follows:

- In our Canadian retirement portfolio, same property NOI increased 1.5%. The growth in revenues, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions was partially offset by higher staffing costs incurred to improve services delivered to our residents as well as higher marketing costs due to timing of expenses as discussed above, higher insurance, property tax and bad debt expenses. Occupancy increased to 88.7% from 87.1% in 2014 YTD.
- In our Canadian LTC portfolio, same property NOI decreased 1.3%, primarily due to the timing of certain expenses. Occupancy remained high at 98.4% consistent with 2014 YTD.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Resident Revenue						
Same property [1][2]	172,042	167,367	4,675	342,841	333,294	9,547
Acquisitions and other [1][2]	8,953	7,356	1,597	17,169	19,126	(1,957)
	180,995	174,723	6,272	360,010	352,420	7,590
Less: Share of resident revenue from joint ventures	25,914	25,463	451	52,018	51,064	954
Total resident revenue	155,081	149,260	5,821	307,992	301,356	6,636
Direct Operating Expenses						
Same property [1][2]	123,385	119,003	4,382	246,867	238,394	8,473
Acquisitions and other [1][2]	5,883	6,178	(295)	11,592	15,752	(4,160)
	129,268	125,181	4,087	258,459	254,146	4,313
Less: Share of direct operating expenses from joint ventures	16,432	16,253	179	32,988	32,488	500
Total direct operating expenses	112,836	108,928	3,908	225,471	221,658	3,813
Net Operating Income						
Same property [1][2]	48,657	48,364	293	95,974	94,900	1,074
Acquisitions and other [1][2]	3,070	1,178	1,892	5,577	3,374	2,203
	51,727	49,542	2,185	101,551	98,274	3,277
Less: Share of net operating income from joint ventures	9,482	9,210	272	19,030	18,576	454
Total net operating income	42,245	40,332	1,913	82,521	79,698	2,823
Weighted average occupancy rate - same property portfolio	90.3%	88.8%	1.5pp	90.4%	89.0%	1.4pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	90.2%	87.9%	2.3pp	90.3%	88.0%	2.3pp

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue increased 3.9% in Q2 2015 and 2.2% in 2015 YTD. The changes in resident revenue were primarily due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments, partially offset by the reduction in revenue from the sales of non-core Ontario properties in 2014.

Same property resident revenue increased $4.7 million or 2.8% in Q2 2015 and $9.5 million or 2.9% in 2015 YTD, primarily as a result of higher occupancies, regular annual rental rate increases in line with competitive market conditions.

Total direct operating expenses increased 3.6% in Q2 2015 and 1.7% in 2015 YTD. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments and a reduction in expenses from the sales of non-core Ontario properties in 2014.

Same property direct operating expenses increased $4.4 million or 3.7% in Q2 2015 and $8.5 million or 3.6% in 2015 YTD, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, timing of marketing expenses, higher insurance and bad debt expenses.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	Q2 2015	Q2 2014	Increase / (Decrease)	2015 YTD	2014 YTD	Increase / (Decrease)
G&A expenses	7,519	8,255	(736)	16,187	18,190	(2,003)
G&A expenses as a percentage of revenue (1)	4.1%	4.6%	(0.5pp)	4.4%	5.1%	(0.7pp)

(1) Non-GAAP; refer to the "Non-GAAP Measures – G&A Expenses as a Percentage of Revenue" section of this MD&A for a discussion of the significance of this metric and a reconciliation of revenue used in the calculation of this measure to our Financial Statements.

G&A expenses decreased $0.7 million or 8.9% in Q2 2015, primarily due to lower legal, education and severance costs, partially offset by higher staff compensation expenses.

In 2015 YTD, G&A expenses decreased $2.0 million or 11.0%, primarily due to lower legal, severance and professional costs, partially offset by higher staff compensation expenses.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 4.1% in Q2 2015 and 4.4% in 2015 YTD, compared to 4.6% in Q2 2014 and 5.1% in 2014 YTD.

Management Fee Revenue

($000s)	Q2 2015	Q2 2014	Increase / (Decrease)	2015 YTD	2014 YTD	Increase / (Decrease)
HCN	1,515	1,417	98	2,934	2,828	106
Other	474	443	31	979	880	99
Total management fee revenue	1,989	1,860	129	3,913	3,708	205

Management fee revenue increased 6.9% in Q2 2015 and 5.5% in 2015 YTD, primarily due to higher fees earned from properties co-owned with or managed for HCN and Batimo.

Finance Costs

($000s)	Q2 2015	Q2 2014	Increase / (Decrease)	2015 YTD	2014 YTD	Increase / (Decrease)
Mortgages and loans payable (1)						
Same property (2)	14,701	15,539	(838)	29,545	31,524	(1,979)
Acquisitions and other (2)	1,110	758	352	2,172	1,727	445
	15,811	16,297	(486)	31,717	33,251	(1,534)
Convertible debentures	1,917	1,919	(2)	3,814	3,816	(2)
Credit Facility and other interest expense	812	2,792	(1,980)	1,298	3,200	(1,902)
	18,540	21,008	(2,468)	36,829	40,267	(3,438)
Amortization of financing costs and debt mark-to-market adjustments (1)	91	(306)	397	121	(407)	528
	18,631	20,702	(2,071)	36,950	39,860	(2,910)
Interest capitalized to properties under development	(34)	(26)	(8)	(114)	(131)	17
Distributions on Class B Units recorded as interest expense	227	222	5	449	446	3
	18,824	20,898	(2,074)	37,285	40,175	(2,890)
Less: Share of finance costs from joint ventures	314	393	(79)	662	786	(124)
Total finance costs	18,510	20,505	(1,995)	36,623	39,389	(2,766)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Interest expense on the same property portfolio decreased $0.8 million in Q2 2015 and decreased $2.0 million in 2015 YTD, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Credit Facility and other interest expense decreased $2.0 million in Q2 2015 and $1.9 million in 2015 YTD, primarily due the inclusion of early mortgage repayment costs of $2.4 million in Q2 2014 and 2014 YTD results. This was partially offset by increased interest costs resulting from higher utilization of our Credit Facility in 2015 YTD.

Amortization of financing costs and debt mark-to-market adjustments increased $0.4 million in Q2 2015 and increased $0.5 million in 2015 YTD, primarily as a result of acceleration of amortization of mark-to-market adjustments and financing costs upon refinancing of certain mortgages.

Other (Expense)/Income

($000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Transaction costs arising on business acquisitions and dispositions [1]	(2,008)	(724)	(1,284)	(1,963)	(1,502)	(461)
Interest and other income [1]	876	1,893	(1,017)	1,785	2,907	(1,122)
Reversal of previously-recorded impairment provision	-	-	-	-	1,245	(1,245)
Gain on remeasurement to fair value of existing interests [1]	10,452	-	10,452	10,452	435	10,017
Gain on sale of assets [1]	4,455	1,013	3,442	4,657	1,504	3,153
Impairment of PP&E	-	-	-	-	-	-
Property lease expense [1]	(101)	(97)	(4)	(204)	(195)	(9)
	13,674	2,085	11,589	14,727	4,394	10,333
Less: Share of other (expense)/income from joint ventures	25	21	4	39	91	(52)
Total other (expense)/income	13,649	2,064	11,585	14,688	4,303	10,385

(1) Non-GAAP; reported at Chartwell's Interest.

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions. Transaction costs related to the sale of our U.S. Portfolio are reported in discontinued operations.

Interest and other income in Q2 2015 and 2015 YTD primarily relates to interest income on capital funding receivable. In Q2 2014 we received $0.8 million in settlement of certain commodity tax matters which was recorded as other income.

In Q1 2014, we reversed a $1.2 million previously-recorded provision for impairment of mezzanine loans receivable on collection of the related mezzanine loan.

Gain on remeasurement to fair value of existing interest of $10.5 million in Q2 2015 and 2015 YTD relates to the remeasurement of the original 50% interests in Pickering and Valley Vista upon acquisition of the remaining 50% interests from our joint-venture partner.

Gain on sale of assets includes a $3.3 million gain on the sale of VVDA completed in Q2 2015.

Other Items

($000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Depreciation of PP&E (1)	24,232	28,917	(4,685)	53,115	58,585	(5,470)
Amortization of intangible assets (1)	159	825	(666)	367	1,059	(692)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) (1)	(12,866)	3,790	(16,656)	(4,936)	7,426	(12,362)
Current income tax expense/(benefit) (1)	-	398	(398)	-	(1,820)	1,820
Deferred income tax expense/(benefit) (1)	789	-	789	789	-	789

(1) Non-GAAP; reported at Chartwell's Interest.

Depreciation of PP&E decreased $4.7 million in Q2 2015 and $5.5 million in 2015 YTD primarily due to certain assets becoming fully depreciated in 2015.

Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) result from changes in the market value of the underlying financial instruments and foreign exchange rate movements. These amounts are expected to fluctuate from period to period due to changes in financial markets.

Deferred income tax expense in Q2 2015 relates to the fair value change on the foreign exchange currency swaps.

Current income tax benefit in 2014 YTD includes a $2.2 million SIFT tax refund for the 2007 taxation year received in Q1 2014.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in Q2 2015.

Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

All results are presented at Chartwell's Interest (refer to the "Non-GAAP Measures" section of this MD&A.)

Canadian Retirement Operations

The following table summarizes the composition of our Canadian Retirement Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	94	771	9,480	675	73	663	11,662
50% owned	42	499	6,690	510	61	45	7,805
Total same property owned	136	1,270	16,170	1,185	134	708	19,467
Acquisitions, Development & Other							
100% owned – operating	6	-	680	-	50	-	730
Partially owned – operating (1)	4	43	314	98	-	-	455
Total acquisitions, development & other	10	43	994	98	50	-	1,185
Total	146	1,313	17,164	1,283	184	708	20,652

(1) Includes one medical office building. Chartwell owns an 85% interest in three of these properties and a 50% interest in one property.

The following table presents the results of operations of our Canadian Retirement Operations:

($000s, except occupancy rates)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Revenue						
Same property	118,221	114,264	3,957	236,042	227,734	8,308
Acquisitions, development and other	8,953	7,356	1,597	17,169	19,126	(1,957)
Total revenue	127,174	121,620	5,554	253,211	246,860	6,351
Direct Operating Expenses						
Same property	76,839	73,248	3,591	153,787	146,732	7,055
Acquisitions, development and other	5,883	6,178	(295)	11,592	15,752	(4,160)
Total direct operating expenses	82,722	79,426	3,296	165,379	162,484	2,895
Net Operating Income						
Same property	41,382	41,016	366	82,255	81,002	1,253
Acquisitions, development and other	3,070	1,178	1,892	5,577	3,374	2,203
Total net operating income	44,452	42,194	2,258	87,832	84,376	3,456
Weighted average occupancy rate - same property	88.6%	86.9%	1.7pp	88.7%	87.1%	1.6pp
Weighted average occupancy rate – total portfolio	88.6%	85.9%	2.7pp	88.8%	86.1%	2.7pp

Same property revenue increased 3.5% in Q2 2015, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 4.9% in Q2 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, higher marketing expenses primarily due to timing as noted earlier, as well as higher insurance and bad debt expenses.

Same property NOI increased $0.4 million or 0.9% in Q2 2015 as follows:

- Our Ontario retirement platform same property NOI decreased $0.1 million or 0.8%, primarily due to higher staffing, marketing and utilities expenses partially offset by higher occupancies and regular annual rental rate increases in line with competitive market conditions.
- Our Western Canada platform same property NOI increased $0.3 million or 3.3%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses. These were partially offset by higher staffing, marketing, insurance and property tax expenses.
- Our Quebec platform same property NOI increased $0.2 million or 1.3%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower property tax and utilities expenses. These were partially offset by higher staffing, marketing, insurance and bad debt expenses.

The following table summarizes our quarterly weighted average occupancy rates in our Canadian retirement same property portfolio:

	Q2 2015	Q2 2014	Increase / (Decrease)	Q1 2015	Increase / (Decrease)
Ontario	86.6%	85.2%	1.4pp	87.1%	(0.5pp)
Western Canada	92.4%	90.4%	2.0pp	92.1%	0.3pp
Quebec	88.7%	86.9%	1.8pp	89.1%	(0.4pp)
Total	88.6%	86.9%	1.7pp	88.9%	(0.3pp)

In Q2 2015, occupancies in our Canadian retirement same property portfolio were 88.6%, a 1.7 percentage point increase from Q2 2014 and a 0.3 percentage point decrease from Q1 2015.

Canadian Long Term Care Operations

The following table summarizes the composition of our Canadian Long Term Care Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property - 100% owned	24	-	136	-	-	3,003	3,139
Total	24	-	136	-	-	3,003	3,139

The following table presents the results of operations of our Canadian Long Term Care Operations:

($000s, except occupancy rates)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Same property revenue	53,821	53,103	718	106,799	105,560	1,239
Same property direct operating expenses	46,546	45,755	791	93,080	91,662	1,418
Total net operating income	7,275	7,348	(73)	13,719	13,898	(179)
Weighted average occupancy rate – same property	98.9%	98.5%	0.4pp	98.4%	98.4%	-

Same property NOI decreased 1.0% in Q2 2015, primarily due to the timing of expenses.

Weighted average occupancies in the same property portfolio increased to 98.9% in Q2 2015 compared to 98.5% in Q2 2014.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for June 30, 2015 compared to December 31, 2014.

	Increase / (Decrease) ($millions)	**Explanation**
Total assets	**(145.3)**	Total assets decreased primarily due to the sales of the U.S. Portfolio and VVDA, partially offset by the corresponding increases in cash as well as by acquisitions and capital additions to properties.
Total liabilities	**(468.9)**	Total liabilities decreased primarily due to reduction in mortgages payable and other liabilities as a result of the sale of the U.S. Portfolio, partially offset by higher outstanding balance on our Credit Facility.
Equity	**323.6**	The increase in equity is primarily due to gains on sale of assets.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q2 2015:

	Trust Units	**Trust Units under LTIP**	**Class B Units**	**Deferred Trust Units**	**Total**
Balance December 31, 2014	173,485,992	1,640,764	1,641,323	692,049	177,460,128
Trust Units issued pursuant to the Distribution Reinvestment Plan (“DRIP”)	766,875	-	-	-	766,875
Trust Units issued under the Long Term Incentive Plan (“LTIP”)	-	71,734	-	-	71,734
Trust Units surrendered for cancellation under LTIP	-	(27,096)	-	-	(27,096)
Trust Units released on settlement of LTIP receivable	56,483	(56,483)	-	-	-
DTUs issued	-	-	-	53,337	53,337
DTU distributions	-	-	-	16,052	16,052
Trust Units issued in exchange of convertible debentures	9,725	-	-	-	9,725
Balance June 30, 2015	174,319,075	1,628,919	1,641,323	761,438	178,350,755

Liquidity and Capital Commitments

Liquidity

Our cash commitments include payments related to mortgages and convertible debentures, contractual purchase obligations, obligations under operating leases as well as cash distributions to unitholders.

Our principal source of liquidity is cash flow from operations. At June 30, 2015, we had cash on hand in the amount of $423.7 million, including cash from Chartwell's Interest in equity-accounted investments of $4.3 million. In order to provide for our operating and capital requirements, we have put in place a Credit Facility and arranged mortgage debt financing. At times we may also raise funds through the capital markets.

On June 1, 2015, we entered into a new Credit Facility with a maximum committed capacity of $150.0 million that matures on June 1, 2018. Based on the level of our Indebtedness Ratio, the amounts outstanding on our Credit Facility bear interest ranging from the bank's prime rate ("Prime") plus 0.65% to 0.80%, or the applicable banker's acceptance rate ("BA") plus 1.65% to 1.80%. It is secured by charges on certain of our properties and includes minimum equity requirements and covenants requiring limitations on the amounts of distributions that can be paid to unitholders. At June 30, 2015, based on security provided, the maximum available borrowing capacity under the Credit Facility was $150.0 million, of which $4.9 million was utilized to support outstanding letters of credit and $114.0 million was drawn, leaving available borrowing capacity at $31.1 million. Based on our Indebtedness Ratio as of June 30, 2015, the interest rate applicable to the amounts outstanding on the Credit Facility in Q3 2015 will be equal to Prime plus 0.65% or BA plus 1.65%.

Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of Adjusted Gross Book Value ("GBV"), excluding convertible debentures, or 65% of GBV including convertible debentures ("Indebtedness Ratio").

The following table presents the calculation of our Indebtedness Ratio at Chartwell's Interest:

($000s)	**June 30, 2015**	December 31, 2014
Mortgages payable (contractual amount)	1,443,239	1,436,826
Credit Facility	114,000	45,500
Total Indebtedness excluding convertible debentures	1,557,239	1,482,326
Convertible debentures (at face value)	134,881	135,000
Total Indebtedness	1,692,120	1,617,326
Total assets	2,580,918	2,125,775
Accumulated depreciation and amortization	561,360	520,798
Cumulative transaction costs on business combinations	20,984	19,238
Change in GBV on transition to IFRS	276,288	276,288
GBV of assets	3,439,550	2,942,099
Indebtedness Ratio before convertible debentures (1) (2)	45.3%	50.4%
Indebtedness Ratio including convertible debentures (1) (2)	49.2%	55.0%

(1) Excludes assets held for sale and related liabilities.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we employ supplemental targets for managing our debt portfolio and monitor our Interest Coverage Ratio and Net Debt to Adjusted EBITDA Ratio.

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

The following table summarizes our Interest Coverage Ratio at Chartwell's Interest:

($000s, except Interest Coverage Ratio)	**Q2 2015**	Q2 2014	**2015 YTD**	2014 YTD
Interest expense including capitalized interest	18,631	20,702	36,950	39,860
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") (1)	48,444	46,192	93,766	88,963
Interest Coverage Ratio (2)	2.60	2.23	2.54	2.23
Target Interest Coverage Ratio			>1.65	

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA at Chartwell's Interest:

($000s)	**Q2 2015**	Q2 2014	**2015 YTD**	2014 YTD
Net income/(loss) for the period	28,956	(9,513)	17,810	(17,096)
Add (Subtract):				
Current income tax	-	398	-	(1,820)
Reversal of previously-recorded impairment provision	-	-	-	(1,245)
Gain on remeasurement to fair value of existing interest	(10,452)	-	(10,452)	(435)
Deferred income tax	789	-	789	-
Transaction costs arising on business acquisitions and dispositions	2,008	724	1,963	1,502
Finance costs	18,824	20,898	37,285	40,175
Depreciation of PP&E	24,232	28,917	53,115	58,585
Amortization of intangible assets	159	825	367	1,059
Gain on sale of assets	(4,455)	(1,013)	(4,657)	(1,504)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain)	(12,866)	3,790	(4,936)	7,426
Principal portion of capital funding receivable from Health Authorities	1,249	1,166	2,482	2,316
Adjusted EBITDA (1)	48,444	46,192	93,766	88,963

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

Net Debt to Adjusted EBITDA Ratio:

In our calculation of Net Debt to Adjusted EBITDA, we define Net Debt as indebtedness less cash on hand at the end of the reporting period and use trailing 12-month Adjusted EBITDA including the annualized effect of acquisitions and dispositions completed during such 12-month period.

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at June 30, 2015 and 2014, at Chartwell's Interest:

($000s, except Net Debt to Adjusted EBITDA Ratio)	**June 30, 2015**	June 30, 2014 (1)
Trailing 12-month Adjusted EBITDA (2)	193,737	183,021
Add (Subtract):		
Adjustment for part-year acquisitions	3,672	1,139
Adjustment for part-year dispositions and assets held for sale	(481)	(5,337)
Trailing12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	196,928	178,823
Indebtedness (3)	1,692,120	1,589,769
Less: Cash and cash equivalents	423,747	12,017
Net debt	1,268,373	1,577,752
Net Debt to Adjusted EBITDA Ratio (4)	6.4	8.8

(1) June 30, 2014 amounts have been restated to adjust for discontinued operations.
(2) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.
(3) Excludes indebtedness related to assets held for sale.
(4) Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.

The following table presents the calculation of trailing 12-month Adjusted EBITDA as of June 30, 2015 at Chartwell's Interest:

($000s)	2014 (1)	*Subtract:* 2014 YTD (1)	*Add:* 2015 YTD	**12 months ended June 30, 2015**
Adjusted EBITDA (2)	188,934	88,963	93,766	193,737

(1) 2014 amounts have been restated to adjust for discontinued operations.
(2) Non-GAAP; refer to the "Non-GAAP Measures –Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

Debt Strategy

We currently employ the following sources of debt financing: property-specific secured mortgages; unsecured convertible subordinated debentures; and the Credit Facility. Our debt management objectives are to:

- Access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- Manage interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year; and
- Proactively manage our short-term maturities and where appropriate, refinance maturing mortgages early with long-term debt.

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest. At June 30, 2015, we had $1,443.2 million of mortgages payable related to our Canadian properties.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at June 30, 2015:

($000s) Year	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
Remainder of 2015	25,364	148,975	174,339	12%	4.22%
2016	47,059	123,201	170,260	12%	4.54%
2017	45,548	66,195	111,743	8%	4.62%
2018	44,618	78,096	122,714	9%	4.62%
2019	43,549	31,525	75,074	5%	3.17%
2020	44,050	53,562	97,612	7%	4.22%
2021	42,478	50,150	92,628	6%	4.59%
2022	39,388	62,200	101,588	7%	3.54%
2023	34,611	58,992	93,603	7%	4.25%
2024	25,167	127,725	152,892	11%	3.91%
2025	19,208	16,335	35,543	2%	3.33%
2026	19,527	1,528	21,055	1%	5.13%
2027	20,140	-	20,140	1%	3.93%
2028	27,234	18,925	46,159	3%	4.20%
2029	18,191	-	18,191	1%	3.93%
2030	17,762	3,996	21,758	2%	3.41%
Thereafter	65,510	22,429	87,939	6%	3.09%
Total	579,404	863,834	1,443,238	100%	
Mark-to-market adjustments arising on acquisition			13,067		
Less: Financing costs			(18,059)		
Total Mortgage Debt			1,438,246		

The following table provides selected financial statistics for our mortgage debt portfolio at Chartwell's Interest:

	At June 30, 2015			At December 31, 2014
	Fixed Rate	Variable Rate	Total	Total
Amount ($millions)	1,276.0	167.2	1,443.2	1,436.8
Weighted average interest rate	4.51%	3.94%	4.44%	4.50%
Average term to maturity (years)	9.0	1.3	8.1	8.4

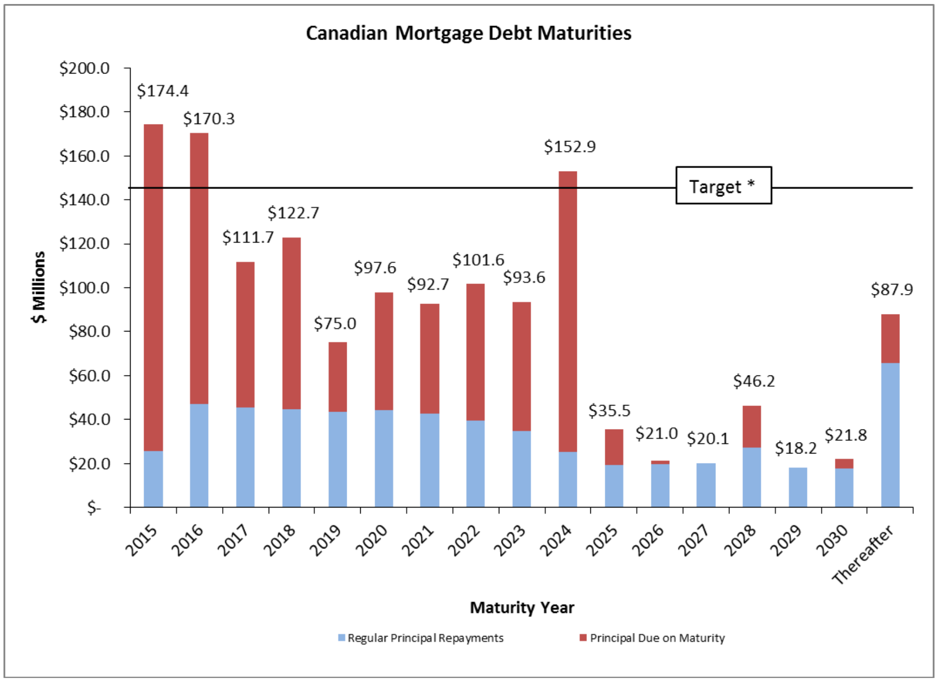
In Canada, we generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). Our Canadian properties are generally eligible for CMHC financing and as of June 30, 2015, approximately 64% of our total Canadian mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal.

Our variable-rate mortgages primarily relate to communities that have not yet achieved stabilized occupancy levels, including our development projects in Canada. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon stabilization of the properties.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at June 30, 2015:

($000s, except number of projects)	Number of Projects	**June 30, 2015**	Number of Projects	**December 31, 2014**
Mortgages on properties under construction	1	5,546	1	3,358
Mortgages on non-stabilized properties	9	107,740	9	101,948
Mortgages on stabilized properties	5	53,949	4	36,071
Total	15	167,235	14	141,377

The following chart provides the breakdown of our mortgage debt maturities in Canada at Chartwell's Interest:



** 10% of total Canadian mortgage debt = $144.3 million*

Subsequent to June 30, 2015, we repaid $101.7 million of mortgages maturing in 2015 and $19.3 million of mortgages maturing in 2016, utilizing the proceeds from the sale of the U.S. Portfolio. Weighted average interest rate of the repaid mortgages was 4.25%.

Convertible Debentures

At June 30, 2015, we have $134.9 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for the redemption of the debentures, at a conversion price of $11.00 per Trust Unit.

Capital Expenditures

We classify our property capital expenditures in the following main categories:

- Routine – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment.
- Major projects / compliance – capital expenditures incurred with respect to large, often multi-phased renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities.
- Accretive / acquisitions – capital expenditures that improve the revenue generating potential of our properties including major upgrades to common areas and resident suites, building upgrades and equipment purchases to increase service offerings to our residents. Also includes projects that were identified during due diligence for newly acquired assets.
- Development – capital expenditures in respect of our development projects.

The following table summarizes additions to properties at Chartwell's Interest, during Q1 2015:

($000s)	**Q2 2015**	2015 YTD
Routine	5,795	8,269
Major projects / compliance	564	867
Accretive / acquisitions	3,063	5,322
Development	4,822	6,431
Total (1)(2)(3)	14,244	20,889

(1) Excludes $0.3 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles.
(2) Excludes $0.1 million in capital additions, the majority of which has been or is expected to be, funded by insurers.
(3) Excludes $11.4 million in capital additions relating to discontinued operations.

Contractual Obligations and Guarantees

Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at June 30, 2015, excluding discontinued operations:

($000s)	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Mortgages payable	1,443,238	174,339	170,260	111,743	122,714	75,074	789,108
Accounts payable and other liabilities	94,898	94,898	-	-	-	-	-
Distributions payable	8,150	8,150	-	-	-	-	-
Convertible debentures	134,893	-	-	-	134,893	-	-
Credit Facility	114,000	114,000	-	-	-	-	-
Purchase obligations	1,320	1,320	-	-	-	-	-
Other operating leases	8,122	653	1,164	1,129	1,129	1,129	2,918
Land leases	14,678	198	395	395	395	395	12,900
Total contractual obligations	1,819,298	393,558	171,819	113,267	259,131	76,598	804,926

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2015 and Q2 2014 using our consolidated statements of cash flows:

Cash Provided by (Used in):	**Increase / (Decrease)** ($millions)	**Explanation**
Operating activities	(21.5)	Cash flows from operating activities decreased primarily due to changes in the working capital balances as well as higher cash outlays for transaction-related costs.
Financing activities	72.5	Cash flows from financing activities increased primarily due to higher utilization of our Credit Facility.
Investing activities	335.4	Cash flows from investing activities increased primarily due to higher proceeds from asset sales including the sale of our U.S. Portfolio, partially offset by higher cash outlays for acquisitions and capital investments in our properties.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. On February 26, 2015, the Trustees approved a 2.0% increase in our monthly cash distributions from $0.0450 per unit ($0.5400 on an annualized basis) to $0.0459 per unit ($0.5508 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In Q2 2015, our average DRIP participation was 20.58% compared to 19.11% participation in Q2 2014.

The following table summarizes distributions made in Q2 2015, 2015 YTD, 2014, and 2013:

($000s)	**Q2 2015**	**2015 YTD**	2014	2013
Distributions declared on Trust Units	24,173	47,972	94,103	93,069
Distributions on Class B Units	227	449	889	895
Distributions on DTUs	100	194	336	-
Distributions reinvested under DRIP	(4,931)	(8,827)	(17,408)	(19,058)
Distributions applied against LTIP receivable	(228)	(448)	(1,009)	(1,081)
Distributions on DTUs reinvested	(100)	(194)	(336)	-
Distributions paid or payable in cash	19,241	39,146	76,575	73,825

The following table summarizes distributions declared on Trust Units in Q2 2015, 2015 YTD, 2014 and 2013 in relation to net income/(loss) and cash flows from operating activities:

($000s)	**Q2 2015**	**2015 YTD**	2014	2013
Cash flows from operating activities	10,392	28,533	123,375	131,852
Net income/(loss) from continuing operations	28,956	17,810	(26,027)	(72,443)
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	(13,781)	(19,439)	29,272	38,783
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	4,783	(30,162)	(120,130)	(165,512)

In Q2 2015 and 2015 YTD, our distributions declared on Trust Units exceeded cash flows from operating activities by $13.8 million and $19.4 million, respectively, primarily due to settlement of working capital items that reduced cash flows from operating activities and transaction-related expenses. Excess distributions were funded utilizing our Credit Facilities and through the issuance of Trust Units under DRIP.

We distributed cash to our unitholders while recording a net loss from continuing operations in 2014 and 2013. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	**2015**		2014 [1]				2013 [2][3]	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	165,545	163,188	167,520	162,782	159,509	162,034	166,263	160,805
Direct operating expenses	(112,836)	(112,635)	(114,964)	(109,730)	(108,928)	(112,730)	(116,980)	(110,553)
G&A expenses	(7,519)	(8,668)	(6,950)	(6,442)	(8,255)	(9,935)	(8,547)	(6,800)
Income before the understated [4]	45,190	41,885	45,606	46,610	42,326	39,369	40,736	43,452
Finance costs	(18,510)	(18,118)	(18,423)	(18,571)	(20,505)	(18,884)	(20,707)	(18,253)
Other income/(expense)	13,649	1,039	754	5,288	2,064	2,239	(10,821)	451
Depreciation and amortization	(23,621)	(28,236)	(34,070)	(29,475)	(29,275)	(29,007)	(32,474)	(30,232)
Changes in fair value of financial instruments and unrealized foreign exchange gains/(losses)	12,840	(7,817)	(7,529)	(662)	(3,790)	(3,636)	(367)	3,074
Share of net income/(loss) from joint ventures	197	96	349	789	65	118	(74)	304
Current income tax (expense)/benefit	-	-	600	(198)	(397)	2,218	-	-
Deferred income tax (expense)/benefit	(789)	-	-	-	-	-	-	-
Net income/(loss) for the period – continuing operations	28,956	(11,151)	(12,713)	3,781	(9,512)	(7,583)	(23,707)	(1,204)
Net income/(loss) for the period	355,310	11,128	(16,280)	31,846	(6,975)	(16,870)	(12,577)	(1,524)
FFO – continuing operations	28,477	25,778	29,405	30,616	24,269	25,815	23,354	28,703
Diluted FFO – continuing operations	30,394	27,675	31,345	32,555	26,188	27,712	25,294	30,642
FFO per unit diluted – continuing operations	0.16	0.15	0.17	0.17	0.14	0.15	0.13	0.16
Total FFO [5]	37,679	34,596	36,171	37,364	35,818	33,688	30,459	36,577
Total Diluted FFO [5]	39,596	36,493	38,111	39,303	37,737	35,585	32,399	38,516
Total FFO per unit diluted [5]	0.21	0.19	0.20	0.21	0.20	0.19	0.17	0.21
AFFO – continuing operations	25,903	23,282	26,655	27,919	21,270	22,951	20,423	25,784
Diluted AFFO – continuing operations	27,820	25,179	28,595	29,858	23,189	24,848	22,363	27,723
AFFO per unit diluted – continuing operations	0.15	0.13	0.15	0.16	0.12	0.13	0.12	0.15
Total AFFO [5]	34,152	31,337	32,695	33,886	31,899	30,019	26,635	32,569
Total Diluted AFFO [5]	36,069	33,234	34,635	35,825	33,818	31,916	28,575	34,508
Total AFFO per unit diluted [5]	0.19	0.17	0.18	0.19	0.18	0.17	0.15	0.18

(1) 2014 amounts have been restated to adjust for discontinued operations.
(2) 2013 amounts have been restated to include the effect of the property tax adjustment requirements of IFRIC 21, effective January 1, 2014.
(3) 2013 amounts have been restated to adjust for discontinued operations.
(4) Refers to income before finance costs, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and unrealized foreign exchange gains/(losses), share of net income/(loss) from joint ventures, and income tax.
(5) Non-GAAP; includes the reversal of provision for impairment associated with the mezzanine loan portfolio of $1.2 million in Q1 2014.

Our results for the past eight quarters have been affected by acquisitions and dispositions; refer to the "Significant Events" section of this MD&A and in our 2014 MD&A for details. In addition, our results have been affected by reversals of previously-recorded provisions for mezzanine loans in Q1 2014, a recovery of SIFT tax in Q1 2014 and changes in the fair value of assets and liabilities.

Discontinued Operations

In Q3 2014, we completed the sale of four of our non-core U.S. properties (827 suites) (the "Cypress Portfolio"). On June 30, 2015, we completed the sale of the remainder of our U.S. Portfolio. The results of the U.S. Portfolio are presented as discontinued operations in this MD&A.

The following table summarizes the composition of our U.S Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
100% owned	33	-	4,375	-	224	190	4,789
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,569	-	263	190	5,022

The following table presents the results of operations of our U.S. Operations:

(U.S.$000s, except as noted otherwise)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Revenue	46,130	50,704	(4,574)	92,395	101,054	(8,659)
Operating expenses	29,813	32,255	(2,442)	65,366	70,783	(5,417)
NOI	16,317	18,449	(2,132)	27,029	30,271	(3,242)
Foreign exchange in CDN	3,740	1,662	2,078	6,262	2,862	3,400
Total NOI in CDN	20,057	20,111	(54)	33,291	33,133	158
Weighted average occupancy rate – total portfolio	88.3%	88.7%	(0.4pp)	88.4%	88.4%	-

Revenue decreased U.S.$4.6 million or 9.0% in Q2 2015 and U.S.$8.7 million or 8.6% in 2015 YTD. The Cypress Portfolio contributed U.S.$6.2 million and U.S.$12.3 million of revenues in Q2 2014 and 2014 YTD, respectively. The remaining portfolio generated revenue growth of U.S.$1.6 million in Q2 2015 and U.S.$3.6 million in 2015 YTD, primarily due to regular annual rental rate increases in line with competitive market conditions.

Direct operating expenses decreased U.S.$2.4 million or 7.6% in Q2 2015 and U.S.$5.4 million or 7.7% in 2015 YTD. The Cypress Portfolio had U.S.$3.4 million and U.S.$6.9 million in operating expenses in Q2 2014 and 2014 YTD, respectively. Operating expenses in the remaining portfolio increased by U.S.$1.0 million in Q2 2015 and U.S.$1.5 million in 2015 YTD, primarily due to higher staffing costs.

As a result of the above, NOI decreased U.S.$2.1 million or 11.6% in Q2 2015 and U.S.$3.2 million or 10.7% in 2015 YTD.

The operating results for our U.S. operating segment in Canadian dollars were also affected by fluctuations in foreign exchange rates. The average exchange rates were as follows:

	Q2 2015	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Weighted average exchange rate for U.S.$1.00 to CDN	1.23	1.09	0.14	1.24	1.10	0.14

Other Items Related to Discontinued Operations

($000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Finance costs	8,287	9,299	(1,012)	16,939	18,882	(1,943)
Other income	(442,064)	(2,647)	(439,417)	(431,127)	(1,829)	(429,298)
Depreciation of PP&E	4,437	12,675	(8,238)	13,870	25,487	(11,617)
Amortization of intangible assets	-	224	(224)	255	451	(196)
Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) and adjustment on mortgages	-	21	(21)	26,827	(1,191)	28,018
Current income tax expense	57,799	67	57,732	57,897	150	57,747
Deferred income tax expense	65,244	(2,057)	67,301	-	(2,057)	2,057

Finance costs and depreciation of PP&E decreased in Q2 2015 and 2015 YTD, primarily due to the sale of the Cypress Portfolio in Q3 2014.

Other income in Q2 2015 and 2015 YTD includes $435.2 million gain on sale of our U.S. Portfolio, partially offset by $3.1 million and $13.3 million of transaction costs in Q2 2015 and 2015 YTD, respectively.

Changes in fair value of financial instruments and unrealized foreign exchange loss/(gain) and adjustment on mortgages in 2015 YTD includes a $28.6 million valuation adjustment on our U.S. mortgages payable.

The current income tax expense represents a provision for various taxes payable on the sale of our U.S. Portfolio.

Deferred income tax expense in Q2 2015 of $65.2 million is the result of the reversal of the previously-recorded benefit related to the temporary difference between the accounting and tax basis of our investment in the U.S. Portfolio.

The following table provides the calculation of FFO from discontinued operations:

($000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Net income/(loss) for the period	326,354	2,538	323,816	348,629	(6,749)	355,378
Add (Subtract):						
Depreciation of PP&E [1]	4,437	12,675	(8,238)	13,870	25,487	(11,617)
Amortization of limited life intangible assets [1]	-	224	(224)	255	451	(196)
(Gain)/loss on sale of assets [1]	(445,839)	27	(445,866)	(445,782)	151	(445,933)
Transaction costs arising on business acquisitions and dispositions [1]	3,061	106	2,955	13,285	227	13,058
Tax on gains/losses on disposal of properties	57,723	-	57,723	57,729	-	57,729
Deferred income tax	65,244	(2,057)	67,301	-	(2,057)	2,057
Adjustment for property tax accounted for under IFRIC 21	(1,778)	(1,985)	207	3,201	3,103	98
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	-	21	(21)	26,827	(1,191)	28,018
FFO [1][2]	9,202	11,549	(2,347)	18,014	19,422	(1,408)

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

The following table provides the calculation of AFFO from discontinued operations:

($000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
FFO [1]	9,202	11,549	(2,347)	18,014	19,422	(1,408)
Add (Subtract):						
Amortization of financing costs and debt mark-to-market adjustments [2][3]	264	318	(54)	772	757	15
Financing cost reserve [4]	(83)	(132)	49	(206)	(265)	59
AFFO before capital maintenance reserve	9,383	11,735	(2,352)	18,580	19,914	(1,334)
Capital maintenance reserve - 2% of property revenue [5]	(1,134)	(1,106)	(28)	(2,282)	(2,217)	(65)
AFFO [6]	8,249	10,629	(2,380)	16,298	17,697	(1,399)

(1) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.
(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.
(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Expenditures" section of this MD&A for details of actual capital expenditures.
(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

Non-GAAP Measures

We use a number of Non-GAAP Measures for monitoring and analyzing our financial results as outlined in this section. These measures do not have any standardized meaning prescribed by IFRS and therefore, are unlikely to be comparable to similar measures presented by other income trusts or other companies.

Funds from Operations

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of the following where, in our FFO calculation, we add back:

- Issue costs of convertible debentures expensed for the period under IFRS to improve comparability to the reported FFO in prior periods; and
- Transaction costs related to the disposition of properties.

According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

A. Unrealized changes in the fair value of investment properties.
B. Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
C. Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
D. Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
E. Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
F. Tax on profits or losses on disposals of properties.
G. Deferred taxes.
H. Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
I. Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
J. Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
K. Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
L. Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
M. Gain or loss on the sale of an investment in a foreign operation.
N. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
O. Bargain purchase or goodwill impairment.
P. Effects of redeemable units classified as financial liabilities.
Q. Results of discontinued operations.

R. Adjustments for equity accounted entities.
S. Non-controlling interests in respect of the above.
T. Incremental leasing costs.

In our opinion, the use of FFO, combined with the required primary IFRS presentations, is fundamentally beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful measure for reviewing our operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), transaction costs arising on business acquisitions and dispositions, impairment of PP&E, distributions on Class B Units recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the operating performance of our real estate portfolio between financial reporting periods.

FFO from continuing operations excludes the results of our U.S portfolio classified as discontinued operations.

To the extent that our convertible debentures are dilutive to FFO per unit, convertible debenture interest is added back to calculate a diluted FFO for the sole purpose of calculating the FFO per unit diluted.

The following table provides a reconciliation of net income/(loss) to FFO:

($000s, except per unit amounts)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Net income/(loss) from continuing operations	28,956	(9,513)	38,469	17,810	(17,096)	34,906
Add (Subtract):						
Depreciation of PP&E [1]	24,232	28,917	(4,685)	53,115	58,585	(5,470)
Amortization of limited life intangible assets [1]	159	825	(666)	367	1,059	(692)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above [1]	(121)	(83)	(38)	(188)	(299)	111
Gain on sale of assets [1]	(4,455)	(1,013)	(3,442)	(4,657)	(1,504)	(3,153)
Gain on remeasurement to fair value of existing interest	(10,452)	-	(10,452)	(10,452)	(435)	(10,017)
Transaction costs arising on business acquisitions and dispositions [1]	2,008	724	1,284	1,963	1,502	461
Tax on gains or losses on disposal of properties	-	400	(400)	-	400	(400)
Deferred income tax	789	-	789	789	-	789
Distributions on Class B Units recorded as interest expense	227	222	5	449	446	3
Changes in fair value of financial instruments and unrealized foreign exchange gains/losses	(12,866)	3,790	(16,656)	(4,936)	7,426	(12,362)
FFO - continuing operations [1][2]	28,477	24,269	4,208	54,260	50,084	4,176
FFO - discontinued operations	9,202	11,549	(2,347)	18,014	19,422	(1,408)
Total FFO [1][2]	37,679	35,818	1,861	72,274	69,506	2,768
FFO - continuing operations [1][2]	28,477	24,269	4,208	54,260	50,084	4,176
Interest expense on 5.7% convertible debentures	1,917	1,919	(2)	3,814	3,816	(2)
Diluted FFO - continuing operations [3]	30,394	26,188	4,206	58,074	53,900	4,174
FFO - discontinued operations	9,202	11,549	(2,347)	18,014	19,422	(1,408)
Total diluted FFO [3]	39,596	37,737	1,859	76,088	73,322	2,766
FFO per unit – continuing operations [4]						
Basic	0.16	0.14	0.02	0.31	0.28	0.03
Diluted	0.16	0.14	0.02	0.31	0.29	0.02
Total FFO per unit [4]						
Basic	0.21	0.20	0.01	0.41	0.39	0.02
Diluted	0.21	0.20	0.01	0.40	0.39	0.01

(1) Non-GAAP; reported at Chartwell's Interest.
(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.
(4) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.

Adjusted Funds from Operations

AFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented may not be comparable to similar measures presented by other issuers. We believe AFFO is useful in the assessment of our operating performance and that this measure is also useful for valuation purposes and is a relevant and meaningful measure of our ability to earn and distribute cash to unitholders. We calculate AFFO by adding or subtracting certain items measured at Chartwell's Interest to or from FFO as follows:

Principal portion of capital funding receivable: This item represents a portion of the long-term cash flow stream provided by the Ontario Ministry of Health and Long Term Care ("MOHLTC") to communities which meet certain design criteria. We include this item in AFFO calculations.

Income guarantees: This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

Amortization of financing costs and fair value adjustments on mortgages payable: Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: In order to account for financing costs routinely incurred on re-financing of existing debt, we included this reserve in the calculation of AFFO. We calculate this reserve based on our estimate of normalized costs of re-financing (60 basis points) applied to the debt balances outstanding at the end of the reporting period taking into account weighted average term to maturity of our mortgage portfolio.

Capital maintenance reserve: Capital maintenance reserve is estimated at 2% of property revenue.

Discontinued operations: This item represents the impact of the items above specifically related to discontinued operations.

AFFO from continuing operations excludes the results of our U.S. Portfolio classified as discontinued operations.

To the extent that our convertible debentures are dilutive to AFFO per unit, convertible debenture interest is added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted.

The following table provides the calculation of AFFO:

($000s, except per unit amounts)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
FFO - continuing operations (1)	28,477	24,269	4,208	54,260	50,084	4,176
Add (Subtract):						
Principal portion of capital subsidy receivable from Health Authorities	1,249	1,166	83	2,482	2,316	166
Amounts receivable under income guarantees	182	-	182	435	-	435
Amortization of financing costs and debt mark-to-market adjustments (2)(3)	(60)	(347)	287	(138)	(484)	346
Financing cost reserve (4)	(326)	(324)	(2)	(649)	(647)	(2)
AFFO before capital maintenance reserve	29,522	24,764	4,758	56,390	51,269	5,121
Capital maintenance reserve - 2% of property revenue - continuing operations (5)	(3,619)	(3,494)	(125)	(7,200)	(7,048)	(152)
AFFO - continuing operations (6)	25,903	21,270	4,633	49,190	44,221	4,969
AFFO - discontinued operations	8,249	10,629	(2,380)	16,298	17,697	(1,399)
Total AFFO (6)	34,152	31,899	2,253	65,488	61,918	3,570
AFFO - continuing operations (6)	25,903	21,270	4,633	49,190	44,221	4,969
Interest expense on 5.7% convertible debentures	1,917	1,919	(2)	3,814	3,816	(2)
Diluted AFFO - continuing operations (7)	27,820	23,189	4,631	53,004	48,037	4,967
AFFO - discontinued operations	8,249	10,629	(2,380)	16,298	17,697	(1,399)
Total diluted AFFO	36,069	33,818	2,251	69,302	65,734	3,568
AFFO per unit - continuing operations (8)						
Basic	0.15	0.12	0.03	0.28	0.25	0.03
Diluted	0.15	0.12	0.03	0.28	0.25	0.03
Total AFFO per unit (8)						
Basic	0.19	0.18	0.01	0.37	0.35	0.02
Diluted	0.19	0.18	0.01	0.36	0.35	0.01

(1) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.
(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.
(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Expenditures" section of this MD&A for details of actual capital expenditures.
(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.
(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.
(8) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

Chartwell's Interest

On January 1, 2013, we changed our accounting policy for certain joint arrangements as required by IFRS 11 – Joint Arrangements. As a result, we no longer proportionately consolidate certain joint arrangements and now account for these investments using the equity method of accounting. All references to "Chartwell's Interest" refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio excluding discontinued operations, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the "Joint Arrangements" section of this MD&A for a discussion of the usefulness of this measure and for a reconciliation of Chartwell's results of operations and statement of financial position.

Net Operating Income

NOI should not be construed as an alternative to other IFRS metrics. We define NOI as the difference between property revenue and property direct operating expenses, measured at Chartwell's Interest. We believe that the use of NOI combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units issued under DTU, LTIP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	**Q2 2015**	Q2 2014	Increase / (Decrease)	**2015 YTD**	2014 YTD	Increase / (Decrease)
Weighted average number of units [(1)]	178,097	176,685	1,412	177,875	176,512	1,363
Dilutive impact of 5.7% convertible debentures	12,264	12,273	(9)	12,267	12,273	(6)
Weighted average number of units, diluted	190,361	188,958	1,403	190,142	188,785	1,357

(1) Includes Class B Units, units issued under LTIP and DTUs.

Same Property Performance

We evaluate our financial performance by analyzing our same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, we designate properties where we have added significant capacity or expect in the current year to open new suites to be excluded from the same property portfolio.

The following table summarizes the same property portfolio as at June 30, 2015:

	Properties	**Suites/Beds**
Canadian Retirement Operations	136	19,467
Canadian Long Term Care Operations	24	3,139
Total same property portfolio	160	22,606

Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics are measured at Chartwell's Interest.

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We define same property NOI as the difference between same property revenue and same property direct operating expenses. We believe that the use of these metrics combined with primary

IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

Refer to the “Consolidated Results of Operations – Summary of Net Operating Income” section of this MD&A for a reconciliation of these items.

Indebtedness Ratio

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of GBV, excluding convertible debentures, or 65% of GBV including convertible debentures. This metric is commonly used by the investment community together with the Interest Coverage Ratio and Net Debt to Adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, total indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell’s Interest.

Interest Coverage Ratio

The interest coverage guideline provides an indication of an entity’s ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity’s ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. The Interest Coverage Ratio is measured at Chartwell’s Interest.

Adjusted EBITDA

EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity’s assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell’s Interest. In Q1 2014, we changed our definition of Adjusted EBITDA to exclude property taxes expensed under IFRIC 21 prior to the associated period of lease term revenue. Under IFRIC 21, certain expenses classified as levies must be recognized when the obliging event occurs. This results in recognition occurring at a point in time rather than on a pro-rata basis. Our assessment determined that property tax in our U.S. operating segment meets the definition of a levy under IFRIC 21. We use Adjusted EBITDA in our calculations of Net Debt to Adjusted EBITDA and Interest Coverage Ratios and therefore, we believe it is appropriate to exclude the portion of this expense that is not pro-rata in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A.

Net Debt to Adjusted EBITDA Ratio

Net Debt to Adjusted EBITDA should not be construed as an alternative to other IFRS metrics. The Net Debt to Adjusted EBITDA Ratio provides an approximation of the number of years required for current cash flows to cover or repay all indebtedness and is commonly used by investors to evaluate the level of an entity’s debt in relation to its operating cash flows. Net Debt and Adjusted EBITDA are not susceptible to short-term changes in market values and are not prone to subjective assessments surrounding asset valuations. Net Debt to Adjusted EBITDA is measured at Chartwell’s Interest.

G&A Expenses as a Percentage of Revenue

G&A as a percentage of revenue should not be construed as an alternative to other IFRS metrics. We believe that G&A as a percentage of revenue is useful as a benchmark to evaluate the required resource level to support our operating business. This percentage is calculated as total G&A expenses divided by the sum of property revenue, management and other fee revenue and mezzanine loan and other interest income at Chartwell's Interest.

The following table presents a reconciliation of revenue used in the calculation of G&A expenses as a percentage of revenue to our Financial Statements:

($000s)	**Q2 2015**	Q2 2014	**2015 YTD**	2014 YTD
Revenue	165,545	159,509	328,733	321,543
Equity-accounted investments	17,662	17,157	35,616	34,728
Chartwell's Interest	183,207	176,666	364,349	356,271
Interest income	850	1,877	1,732	2,825
Equity-accounted investments	26	16	53	82
Chartwell's Interest	876	1,893	1,785	2,907
Total revenue at Chartwell's Interest	184,083	178,559	366,134	359,178

Distributions Declared as a Percentage of Total AFFO

Distributions declared as a percentage of total AFFO is calculated using distributions declared on our Trust Units, Class B Units and DTUs.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Q2 2015 Financial Statements, our 2014 MD&A as well as in our 2014 Financial Statements, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in Q2 2015.

Changes in Accounting Estimates and Changes in Accounting Policies

The current accounting policy changes and future accounting policy changes are described in Note 1 of our Financial Statements.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at June 30, 2015. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes that occurred during the quarter ended June 30, 2015, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our ability to realize benefits on technology investments;
- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;
- our ability to accretively reinvest the proceeds from the sale of the U.S. Portfolio.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

Risks and Uncertainties

Our AIF dated February 26, 2015 and our 2014 MD&A contain a detailed discussion of risk factors and uncertainties facing Chartwell.

There were no significant changes to these risk factors and uncertainties as of the date of this MD&A except as related to the sale of our U.S. Portfolio. As a result of this sale, the risk related to the U.S. government regulation is no longer applicable to the current operations and the U.S./Canadian currency exchange rate fluctuations risk is only applicable to the outstanding foreign exchange swap contract described in the "Significant Events - Dispositions" section of this MD&A.