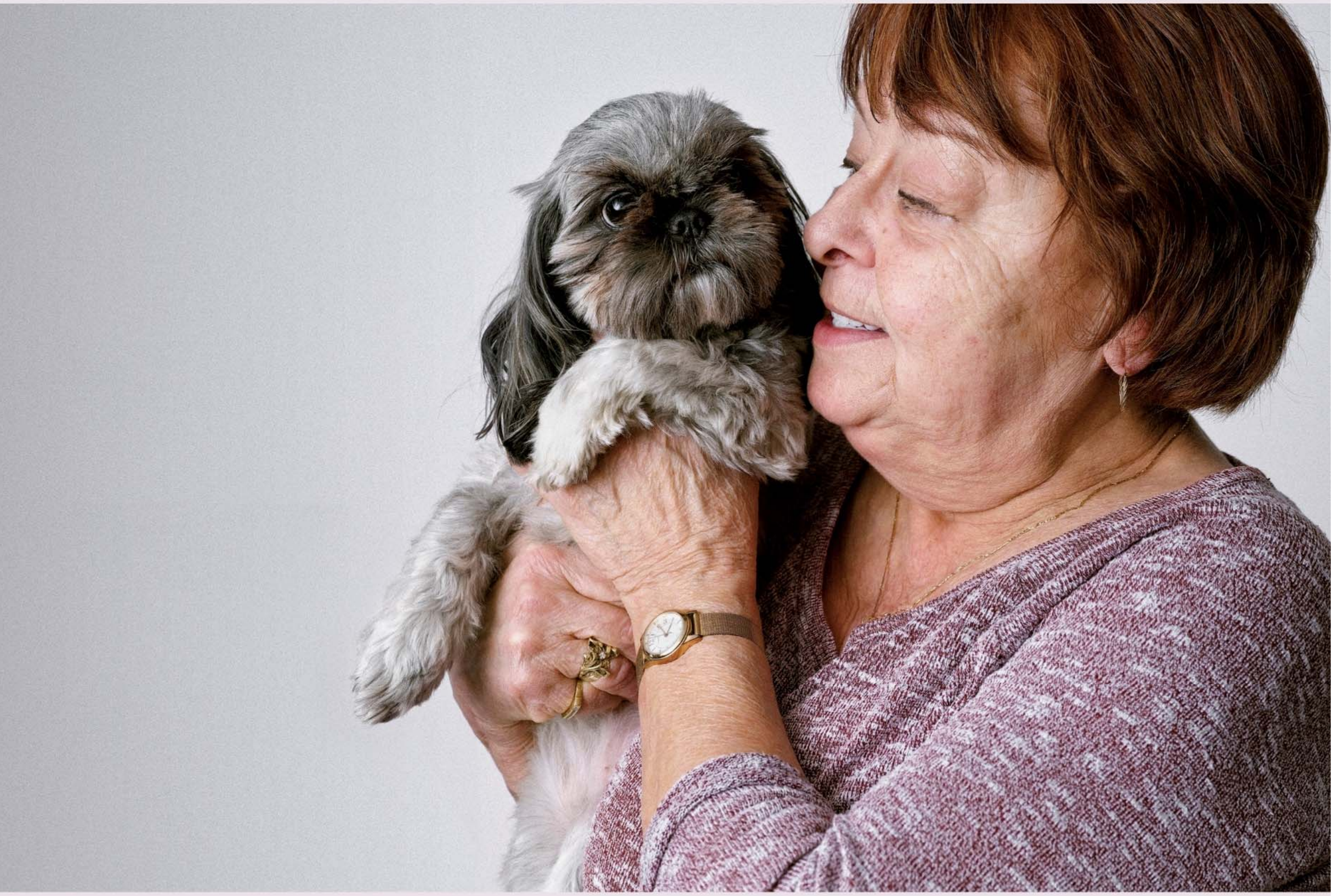
making people's lives BETTER



Q2

Second Quarter Report | June 30, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Six Months Ended June, 2017

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, 2017. This MD&A should be read in conjunction with Chartwell's unaudited, interim condensed consolidated financial statements for the three and six months ended June 30, 2017, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto (the "2016 Financial Statements") and the annual Management's Discussion and Analysis for the year ended December 31, 2016 (the "2016 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, 2016, 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 10, 2017.

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; "2017" refers to the calendar year 2017; "2016" refers to the calendar year 2016, "2015" refers to the calendar year 2015 and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q2 2017 and 2017 YTD are in comparison to results from Q2 2016 and 2016 YTD, respectively.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Funds from Operations ("FFO"), "Property NOI," "Property Revenue," "Direct Property Operating Expenses," Net Operating Income ("NOI"), "Same Property Performance," "Liquidity," "G&A Expenses as a percentage of Revenue," "Estimated Development Costs," "Expected Unlevered Yield," "Chartwell's Interest" 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 used by other issuers. In February 2017, the Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO"), (the "REALPAC Guidance"). We are currently reviewing this REALPAC Guidance. Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Non-GAAP Measures" section of this MD&A for details.

In this document we use various financial metrics and ratios in our disclosure of financial covenants as defined in the respective credit documents such as "Debt Service Coverage Ratio," "Total Leverage Ratio," "Adjusted Consolidated Unitholders' Equity Ratio," "Secured Indebtedness Ratio," "Unencumbered Property Asset Ratio," "Consolidated EBITDA to Consolidated Interest Expense Ratio," "Indebtedness Percentage," "Consolidated EBITDA," "Consolidated Interest Expense," "Consolidated Regularly-Scheduled Debt Principal Repayments," "Consolidated Indebtedness," "Adjusted Consolidated Gross Book Value of Assets," AFFO, "Net Debt to Adjusted EBITDA Ratio," "Secured Indebtedness," "Consolidated Unsecured Indebtedness," "Unencumbered Property Asset Value," and "Unencumbered Aggregate Adjusted Assets". These metrics are non-GAAP measures, are calculated in accordance with the definitions contained in our Credit Agreements, and may be described using terms which differ from standardized meanings prescribed by IFRS. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the "Liquidity and Capital Resources – Financial Covenants" section of this MD&A for details.

The results of operations of our United States Operations, which we disposed of in 2015, are reported as discontinued operations throughout this MD&A.

All dollar references, unless otherwise stated, are in Canadian dollars.

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 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 suites/ townhouses/ bungalows with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living ("ISL") - Age-qualified suites/ townhouses/ bungalows with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living ("AL") - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care ("MC") - Age-qualified suites with personal care services included in base 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") - Access to 24-hour nursing care or supervision in a secure setting, 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;
- to attract and retain employees who care about making a difference in our residents' lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

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

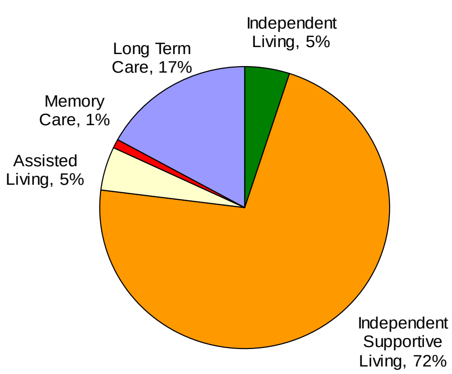
The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at June 30, 2017:

	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: (1)						
100% Owned – operating	110	13,450	24	3,133	134	16,583
Partially Owned – operating (2)	46	8,238	-	-	46	8,238
Total Owned	156	21,688	24	3,133	180	24,821
Managed Communities	5	928	4	608	9	1,536
Total	161	22,616	28	3,741	189	26,357

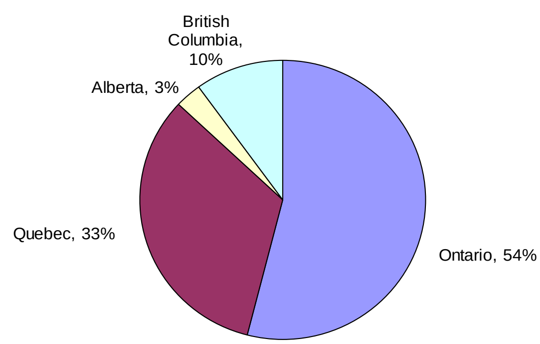
(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.
(2) We have a 50% ownership interest in these communities (7,879 suites) with the exception of three retirement communities (359 suites) and one medical office building in which we have an 85% ownership interest.

Composition of Portfolio of Owned Suites/Beds
at Chartwell's Share of Ownership Interest, at June 30, 2017 by:

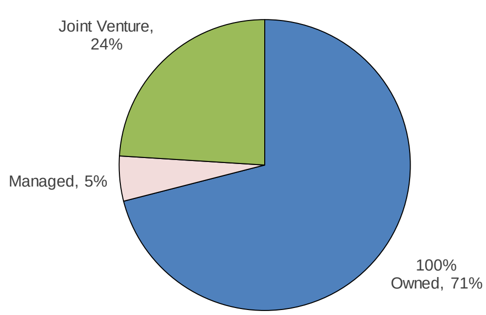
Level of Care



Geographic Location



Ownership



Business Strategy

Our business strategy is focused on providing exceptional services and quality care to our residents, which we believe will help us to achieve sustainable 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 prospect 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.

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.
- Developing innovative, 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	• Same property NOI [1] increased \$0.7 million or 1.1% in Q2 2017 and \$2.9 million or 2.3% in 2017 YTD. • Same property occupancy was 92.5% in Q2 2017 compared to 93.2% in Q2 2016.
Maintain a strong financial position	• At June 30, 2017, we had liquidity [2] of \$107.3 million. • Interest Coverage Ratio [3] remained strong at 3.3 in Q2 2017. • Net Debt to Adjusted EBITDA Ratio [3][4] was 7.9 at June 30, 2017 compared to 7.3 at December 31, 2016.
Improve quality and efficiency of our corporate support services	• The second phase of implementation of our new Human Capital Management system is in progress. • Completed the rollout of Project Welcome in our retirement homes, which focuses on the customer experience of a resident's first 90 days at Chartwell.
Build value of our real estate portfolio	• Completed six acquisitions for a total aggregate purchase price of \$210.5 million.[5] • Sold one non-core property in Quebec for proceeds of \$23.5 million. • Opened three newly-developed residences. • Work continues on our development pipeline of 3,110 suites with nine projects in construction and five projects in pre-development.[6]

(1) Non-GAAP; refer to the "Summary of Net Operating Income" and the "Non-GAAP Measures" sections of this MD&A for details.
(2) Non-GAAP; refer to the "Liquidity and Capital Resources" section of this MD&A for details.
(3) Non-GAAP; refer to the Consolidated EBITDA to Consolidated Interest Expense Ratio in the "Liquidity and Capital Resources" section of this MD&A for details.
(4) "EBITDA" means earnings before interest, taxes, depreciation and amortization.
(5) Excluding accounting adjustments.
(6) Includes projects by Batimo Inc. ("Batimo") and Signature Retirement Living Corp. ("Signature Living").

2017 Outlook

Our 2016 MD&A contains a detailed discussion of our 2017 Outlook. There were no significant changes in Q2 2017 to our 2017 Outlook.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2016 MD&A. There were no significant changes to date, except as follows:

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 robust 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 completed since January 1, 2016:

Project	Location	Suites / Beds	Suite Type	Ownership at June 30, 2017	Date Completed	Development Costs ($ millions)	Occupancy at June 30, 2017
Chartwell Le Teasdale I (1)(2)	Terrebonne, QC	343	IL	-	May 2016	N/A	81.1%
Chartwell Les Monarques Phase II (1)	St. Eustache, QC	98	AL	-	June 2016	N/A	93.5%
Chartwell L'Unique III (1)	St. Eustache, QC	163	ISL	-	March 2017	N/A	43.9%
Chartwell Le Prescott (1)	Vaudreuil, QC	290	ISL	-	June 2017	N/A	N/A
Chartwell Malaspina Gardens Care Residence (3)	Nanaimo, BC	136	LTC	100%	June 2017	27.5	94.3%
		1,030				**27.5**	

(1) These projects are owned by Batimo and its affiliates. Chartwell manages pre-opening and lease-up and expects to acquire an 85% interest in these projects upon stabilization. N/A means not applicable.

(2) Chartwell acquired an 85% interest in this project on July 20, 2017 for $60.8 million. Mezzanine loan of $5.9 million was settled on acquisition.

(3) Chartwell expects to achieve unlevered yield of 9.3% on this project.

The following table summarizes projects that are in various stages of development as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status	Estimated Development Costs [1] ($ millions)	Costs incurred as at June 30, 2017 [2] ($millions)	Actual/ Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield [3]
Chartwell Waterford Retirement Residence	Oakville, ON	128	ISL / MC	Construction	43.6	19.8	Q3 2017	Q3 2019	8.1%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	Construction	38.4	12.7	Q2 2018	Q2 2020	7.5%
Chartwell Bankside Retirement Apartments	Kitchener, ON	58	IL	Construction	18.6	4.3	Q2 2018	Q3 2019	7.3%
The Sumach by Chartwell [4]	Toronto, ON	332	IL	Construction	46.6	14.9	Q2 2018	Q2 2020	6.8%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL / MC	Construction	48.1	5.6	Q3 2018	Q4 2020	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	IL / ISL	Pre-development	17.4	0.2	Q1 2019	Q1 2020	8.9%
Chartwell Guildwood Retirement Residence [5]	Scarborough, ON	172	ISL / MC	Pre-development	30.7	0.4	Q2 2019	Q4 2020	8.0%
		987			243.3	57.9			
Projects by Batimo [6]									
Chartwell Le Montcalm	Candiac, QC	283	ISL	Construction	N/A	N/A	Q4 2017	Q2 2019	N/A
Chartwell St. Gabriel [7]	St. Hubert, QC	345	ISL / AL	Construction	N/A	N/A	Q2 2018	Q3 2019	N/A
Chartwell Le Teasdale II	Terrebonne, QC	221	IL	Construction	N/A	N/A	Q3 2018	Q4 2019	N/A
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	Pre-development	N/A	N/A	Q4 2018	Q2 2020	N/A
Chartwell Charlesbourg	Quebec City, QC	381	ISL / AL	Pre-development	N/A	N/A	Q1 2019	Q1 2021	N/A
Chartwell Cap Rouge	Cap Rouge, QC	360	ISL / AL	Pre-development	N/A	N/A	Q1 2019	Q4 2020	N/A
		1,958							
Project by Signature Living									
Kingston Project [8]	Kingston, ON	165	ISL / AL	Construction	29.9	8.8	Q2 2018	Q3 2021	7.0%
		3,110			**273.2**	**66.7**			

(1) Non-GAAP; reported at Chartwell's Interest. Refer to the "Non-GAAP Measures – Estimated Development Costs" section of this MD&A.
(2) Non-GAAP; reported at Chartwell's Interest.
(3) Non-GAAP; refer to the "Non-GAAP Measures – Expected Unlevered Yield" section of this MD&A.
(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.
(5) Redevelopment of the existing 83-suite residence to a 170-suite residence. Chartwell owns a 50% interest in this project.
(6) These projects are owned by Batimo and its affiliates. Chartwell manages pre-opening and lease-up and expects to acquire an 85% interest in these projects upon stabilization. N/A means not applicable.
(7) On July 21, 2017, Chartwell advanced a $3.6 million mezzanine loan bearing interest at 10% to Batimo for this development.
(8) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon stabilization.

The following table summarizes additional development opportunities on our owned lands. While a number of these development projects are in advanced stages of feasibility assessments, others have a longer term development time horizon and, in some cases, may be subject to extensive municipal approval requirements.

Residence	Location	Ownership %	Vacant Land Size (acres)	Estimated Potential Number of Suites (1)	Book Value of Land (2) ($millions)
Chartwell Cité-Jardin résidence pour retraités	Gatineau, QC	100	3.4	600	8.6
Chartwell Crescent Gardens Retirement Community	Surrey, BC	100	2.6	184	4.9
Chartwell Hartford Retirement Residence	Morrisburg, ON	100	1.8	94	-
Chartwell Montgomery Village Retirement Residence	Orangeville, ON	100	1.5	120	1.0
Chartwell Muskoka Traditions Retirement Residence	Hunstville, ON	100	0.4	36	0.9
Chartwell Ridgepointe Retirement Residence	Kamloops, BC	100	4.5	135	1.6
Chartwell Ste-Marthe résidence pour retraités	Saint-Hyacinthe, QC	100	0.8	70	0.7
Chartwell Thunder Bay Retirement Residence	Thunder Bay, ON	100	1.2	9	-
Chartwell Wedgewood Retirement Residence	Brockville,ON	100	0.5	54	0.6
Chartwell Woodhaven Long Term Care Residence (3)	Markham, ON	100	1.4	108	-
Chartwell Belcourt résidence pour retraités	Ottawa, ON	50	0.2	31	0.3
Chartwell Domaine des Trembles résidence pour retraités	Gatineau, QC	50	1.5	182	1.2
Chartwell Héritage résidence pour retraités	Ottawa, ON	50	0.6	160	0.5
Chartwell Kingsville Retirement Residence	Kingsville, ON	50	1.6	55	0.3
Chartwell Manoir Pointe-aux-Trembles résidence pour retraités (4)	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.3
Chartwell Notre-Dame Victoriaville résidence pour retraités	Victoriaville, QC	50	1.1	66	0.1
Chartwell Royal Marquis Retirement Residence	Windsor, ON	50	0.6	45	0.4
Chartwell Royalcliffe Retirement Residence	London, ON	50	1.3	197	1.1
Total (5)			35.7	2,886	22.5

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.
(2) At Chartwell's Interest.
(3) Leased lands.
(4) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.
(5) Excludes $0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

In Q1 2017, we acquired a 4.66 acre parcel of land in Mississauga, Ontario for a purchase price of $6.6 million. The purchase price was settled by the issuance of $0.5 million of exchangeable Class B Units of Chartwell Master Care LP ("Class B Units"), with the remaining balance paid in cash. The land will be used to construct an office building to replace our current leased space.

Acquisitions

On February 1, 2017, we acquired a 100% interest in the 107-suite The Orchards Retirement Residence located in Vineland, Ontario (rebranded as 'Chartwell Orchards Retirement Residence' post acquisition). The purchase price before closing costs was $22.0 million and was settled in cash.

On March 1, 2017, we acquired a 100% interest in the 66-suite Hilldale Gardens Retirement Residence in Thunder Bay, Ontario (rebranded as 'Chartwell Hilldale Retirement Residence' post acquisition). The purchase price before closing costs was $6.9 million and was settled in cash.

On July 4, 2017, we acquired a 100% interest in a portfolio of three properties in Ontario totalling 522 suites. The purchase price before closing costs was $121.0 million and was settled in cash. The acquired residences were rebranded as 'Chartwell Lakeshore Retirement Residence,' 'Chartwell Stillwater Creek Retirement Residence' and 'Chartwell Riverpark Retirement Residence' post acquisition.

On July 20, 2017, we acquired an 85% interest in Chartwell Le Teasdale I in Terrebonne, Quebec from Batimo. Batimo retained the remaining 15% interest in the project. The purchase price was $60.8 million and was settled by the assumption of a construction loan of $37.1 million, the settlement of Chartwell's mezzanine loan of $5.9 million and the remaining balance paid in cash.

Dispositions

On May 3, 2017, we sold Chartwell Castel Royal résidence pour rétraites, a 250-suite retirement residence in Montreal, Quebec. The sale price was $23.5 million, of which $2.5 million is held in escrow for two years after closing to support purchaser's rental income and certain renovation costs.

Financings

On May 29, 2017, we established two new credit facilities with a syndicate of Canadian financial institutions totalling $300 million with accordion options for an additional $150 million (the "Credit Facilities"). The Credit Facilities have a three year term, maturing in May 2020. They replaced the existing $200 million and $50 million credit facilities which were scheduled to mature in June 2018.

On June 9, 2017, we issued $200 million of 3.786% Series A senior unsecured debentures (the "Series A Debentures") due on December 11, 2023. DBRS Limited ("DBRS") assigned a BBB (low) credit rating with a Stable trend to the Series A Debentures. The proceeds of the Series A Debentures were used to fund acquisitions, repay amounts outstanding on our Credit Facilities and for general corporate purposes.

Please refer to the "Liquidity and Capital Resources" section of this MD&A for details of our new Credit Facilities and Series A Debentures.

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-Welltower Landlord (1)	38	7,375	50%	Line-by-line
Chartwell-Welltower Operator (1)	Same as above	Same as above	50%	Equity
Batimo	4	359	85%	Line-by-line
Chartwell Oakville Retirement Residence	1	147	50%	Equity
Chartwell Constantia Retirement Residence	1	121	50%	Equity
Chartwell Riverside Retirement Residence	1	138	50%	Line-by-line
Chartwell Churchill House Retirement Residence	1	98	50%	Line-by-line
Clair Hills Retirement Residence (2)	1	120	Refer to note (2)	Equity
Oak Ridges Retirement Residence (2)	1	129	Refer to note (2)	Equity
The Sumach by Chartwell	1	332	45%	Line-by-line
Kingston Project	1	165	60%	Equity

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.

(2) These properties were acquired in a limited partnership structure in which we own all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the partnership agreements, Class C units were entitled to quarterly distributions totalling $4.8 million for 2016 and increase by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with net operating income guarantees sufficient to effect

the required Class C distributions. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, we will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.

In Q1 2017, we entered into a new joint arrangement with Signature Living to develop a 165-suite retirement residence in Kingston, Ontario (the "Kingston Project"). Chartwell owns a 60% interest and Signature Living owns the remaining 40% interest in the project. The joint arrangement is equity accounted.

Throughout this document, 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 and reconciliations of Chartwell's Interests to IFRS basis of presentation.

We believe that presenting the operating and financial results of our joint arrangements at Chartwell's Interest, a non-GAAP measure, 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.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures: (1)

($000s, except occupancy rates and per unit amounts)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Net income/(loss) - continuing operations	6,309	3,589	2,720	2,142	(15,961)	18,103
Total comprehensive income/(loss)	6,309	7,185	(876)	2,142	(12,687)	14,829
Resident revenue (2)	212,535	207,409	5,126	423,648	411,450	12,198
Weighted average occupancy rate - same property portfolio (3)	92.5%	93.2%	(0.7pp)	92.8%	93.3%	(0.5pp)
Same property NOI (4)	63,289	62,598	691	126,461	123,603	2,858
FFO (5)(6)	41,856	42,304	(448)	83,962	82,648	1,314
FFO per unit diluted (7)	0.21	0.22	(0.01)	0.43	0.44	(0.01)
Distributions declared (8)	28,028	26,684	1,344	55,549	51,702	3,847
Distributions declared per unit (6)	0.14	0.14	-	0.29	0.28	0.01

(1) Effective June 30, 2017, we no longer use AFFO as a key performance indicator while we undertake our review of the REALPAC Guidance.
(2) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was $181.7 million in Q2 2017 and $362.0 million in 2017 YTD ($177.7 million in Q2 2016 and $352.0 million in 2016 YTD). Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.
(3) pp = percentage points.
(4) 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.
(5) Q2 2017 and 2017 YTD FFO includes lease-up-losses related to our projects in development of $0.6 million and $2.0 million, respectively (Q2 2016 and 2016 YTD – Nil).
(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").

<u>Net Income</u>

In Q2 2017, net income from continuing operations was $6.3 million compared to $3.6 million in Q2 2016. The increase in net income is primarily due to higher revenues, positive changes in fair values of financial instruments and lower transaction costs, partially offset by higher direct property operating and general, administrative and Trust ("G&A") expenses and lower other income primarily due to recognition of a $5.2 million gain on remeasurement of a previously-held interest on a step acquisition completed in Q2 2016.

For Q2 2017, total comprehensive income decreased $0.9 million. In addition to the items discussed above, total comprehensive income for Q2 2016 included $3.6 million income from discontinued operations primarily related to tax recoveries.

For 2017 YTD, net income from continuing operations was $2.1 million compared to net loss from continuing operations of $16.0 million in 2016 YTD. The change is due to higher revenues and lower revaluation charges on financial instruments primarily due to the redemption of our 5.7% convertible debentures in Q2 2016, partially offset by higher direct property operating, G&A, depreciation and amortization expenses.

For 2017 YTD, total comprehensive income increased $14.8 million. In addition to the items discussed above, Q2 2016 amount includes $3.2 million income from discontinued operations primarily related to tax recoveries.

FFO

For Q2 2017, FFO was $41.9 million or $0.21 per unit diluted, compared to $42.3 million or $0.22 per unit diluted in Q2 2016. The following items impacted the change in FFO:

- higher G&A expenses of $1.0 million primarily due to higher staffing costs incurred to support our growing development activities, including management of Batimo projects, and our newly acquired properties;
- higher amortization of debt financing costs and debt mark-to-market adjustments of $0.9 million primarily due to accelerated amortization of financing costs related to our credit facilities that were replaced in Q2 2017 of $0.7 million; and
- other items combined of $0.2 million;

partially offset by:

- higher NOI of $0.6 million consisting of a $0.7 million increase in same property NOI and a $0.1 million decrease in contribution from acquisitions and developments, which were impacted by lease-up-losses of $0.6 million related to our development projects;
- higher management fee income of $0.3 million; and
- lower interest costs of $0.8 million primarily due to higher capitalization of interest costs for properties under development and lower interest rates achieved on mortgage financings.

For 2017 YTD, FFO was $84.0 million or $0.43 per unit diluted, compared to $82.7 million or $0.44 per unit diluted in 2016 YTD. The following items impacted the change in FFO:

- higher NOI of $2.7 million consisting of a $2.9 million increase in same property NOI and a $0.2 million decrease in contribution from acquisitions and developments, which were impacted by lease-up-losses of $2.0 million related to our development projects;
- higher management fee income of $0.7 million; and
- lower finance costs of $1.5 million as a result of redemption of our 5.7% convertible debentures in Q2 2016, lower interest rates achieved on mortgage financings, higher interest capitalized to projects under development, net of higher amortization of financing costs and debt mark-to-market adjustments;

partially offset by:

- higher G&A expenses of $3.2 million of which $0.9 million relates to higher severance and recruitment expenses, and reversal of certain accruals in Q2 2016; and
- other items combined of $0.3 million.

Refer to the “Non-GAAP Measures – Funds from Operations” section of this MD&A for a discussion of the calculation of FFO and per unit amounts.

Same Property Portfolio Highlights

($000s, except occupancy rates)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Retirement portfolio:						
NOI [1]	56,459	55,271	1,188	113,363	109,925	3,438
Occupancy	91.4%	92.2%	(0.8pp)	91.7%	92.4%	(0.7pp)
LTC portfolio:						
NOI [1]	6,830	7,327	(497)	13,098	13,678	(580)
Occupancy	98.5%	98.9%	(0.4pp)	98.3%	98.8%	(0.5pp)
Combined:						
NOI [1][2]	63,289	62,598	691	126,461	123,603	2,858
Occupancy	92.5%	93.2%	(0.7pp)	92.8%	93.3%	(0.5pp)

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

(2) Non-GAAP. Refer to the "Summary of Net Operating Income" and the "Non-GAAP Measures – Same Property Performance" sections of this MD&A for a discussion of the significance of this metric.

In Q2 2017, combined same property occupancy was 92.5% compared to 93.2% in Q2 2016, and same property NOI increased $0.7 million or 1.1% as follows:

- In our retirement portfolio, same property NOI increased 2.1%. The increase was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies, lower ancillary services revenue and higher staffing costs as well as higher marketing expenses primarily timing related. In Q2 2017, occupancy decreased 0.8 percentage points to 91.4% primarily due to slower leasing activity in the first half of 2017 and significantly higher resident turnover in Q1 2017 as compared to the same periods of 2016. Resident turnover has improved in Q2 2017 which is expected to have a positive impact on our occupancies in the second half of 2017.
- In our LTC portfolio, same property NOI decreased 6.8%, primarily due to lower ancillary services revenue and timing of certain expenses, partially offset by higher preferred accommodation revenue. In Q2 2017, occupancy was 98.5% compared to 98.9% in Q2 2016.

In 2017 YTD, combined same property occupancy was 92.8% compared to 93.3% in 2016 YTD, and same property NOI increased $2.9 million or 2.3% as follows:

- In our retirement portfolio, same property NOI increased 3.1%. The increase was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies, lower ancillary services revenue and inflationary staffing cost increases as well as higher food, repairs and maintenance, administrative, utilities and property tax expenses. In 2017 YTD, occupancy decreased 0.7 percentage points to 91.7%.
- In our LTC portfolio, same property NOI decreased 4.2%, primarily due to lower ancillary services revenue and timing of certain expenses, partially offset by higher preferred accommodation revenue. In 2017 YTD, occupancy was 98.3% compared to 98.8% in 2016 YTD.

Summary of Net Operating Income

($000s, except occupancy rates)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Resident Revenue						
Same property [1][2]	196,873	192,606	4,267	392,323	384,276	8,047
Acquisitions and other [1]	15,662	14,803	859	31,325	27,174	4,151
	212,535	207,409	5,126	423,648	411,450	12,198
Less: Share of resident revenue from joint ventures	30,830	29,690	1,140	61,664	59,410	2,254
Total resident revenue	181,705	177,719	3,986	361,984	352,040	9,944
Direct Property Operating Expenses						
Same property [1][2]	133,584	130,008	3,576	265,862	260,673	5,189
Acquisitions and other [1]	12,082	11,082	1,000	24,552	20,192	4,360
	145,666	141,090	4,576	290,414	280,865	9,549
Less: Share of direct property operating expenses from joint ventures	18,973	18,131	842	37,778	36,698	1,080
Total direct property operating expenses	126,693	122,959	3,734	252,636	244,167	8,469
Net Operating Income						
Same property [1][2]	63,289	62,598	691	126,461	123,603	2,858
Acquisitions and other [1][3]	3,580	3,721	(141)	6,773	6,982	(209)
	66,869	66,319	550	133,234	130,585	2,649
Less: Share of net operating income from joint ventures	11,857	11,559	298	23,886	22,712	1,174
Total net operating income	55,012	54,760	252	109,348	107,873	1,475
Weighted average occupancy rate - same property portfolio	92.5%	93.2%	(0.7pp)	92.8%	93.3%	(0.5pp)
Weighted average occupancy rate - total portfolio excluding discontinued operations	90.4%	92.4%	(2.0pp)	90.8%	92.5%	(1.7pp)

(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.
(3) Q2 2017 and 2017 YTD amount includes lease-up-losses related to our projects in development of $0.6 million and $2.0 million, respectively (Q2 2016 and 2016 YTD – Nil).

Total resident revenue increased 2.2% in Q2 2017. The changes in resident revenue were due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments.

Same property resident revenue increased $4.3 million or 2.2% in Q2 2017, primarily as a result of rental rate increases in line with competitive market conditions, partially offset by lower occupancies and lower ancillary services revenue.

Total direct property operating expenses increased 3.0% in Q2 2017. The changes in direct property operating expenses were due to higher expenses in our same property portfolio and acquisitions and developments.

Same property direct operating expenses increased $3.6 million or 2.8% in Q2 2017, primarily due to inflationary staffing cost increases and timing of marketing and certain other expenses.

Management Fee Revenue

($000s)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Welltower	1,766	1,614	152	3,470	3,122	348
Other	685	542	143	1,260	951	309
Total management fee revenue	2,451	2,156	295	4,730	4,073	657

Management fee revenue increased in Q2 2017 and 2017 YTD primarily due to growth in revenues of managed properties and an increased number of Batimo development properties under management.

Interest Income

($000s)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Interest income on loans receivable	234	346	(112)	486	704	(218)
Interest income on capital funding	732	644	88	1,485	1,541	(56)
Other interest income	59	68	(9)	169	127	42
Total interest income	1,025	1,058	(33)	2,140	2,372	(232)

In Q2 2017 and 2017 YTD, interest income on loans receivable decreased primarily due to lower loan balances.

General, Administrative and Trust Expenses

($000s, except percentage of revenue)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
G&A expenses	10,121	9,126	995	20,526	17,347	3,179
G&A expenses as a percentage of revenue (1)	4.7%	4.3%	0.4pp	4.8%	4.2%	0.6pp

(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.

In Q2 2017 and 2017 YTD, G&A expenses increased $1.0 million and $3.2 million, respectively, primarily due to higher staffing costs. These investments were primarily required to support our growing development activities, including management of Batimo projects, and properties acquired in 2015, 2016 and 2017 YTD. In addition, the increase in 2017 YTD was partly driven by higher severance and recruitment costs and the reversal of an accrual of certain employee benefits costs on settlement of a related claim in Q1 2016.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 4.7% in Q2 2017 and 4.8% in 2017 YTD, compared to 4.3% in Q2 2016 and 4.2% in 2016 YTD.

Finance Costs

($000s)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Mortgages and loans payable						
Same property [1]	14,725	14,970	(245)	29,338	30,306	(968)
Acquisitions and other [1]	1,558	1,549	9	3,249	3,001	248
	16,283	16,519	(236)	32,587	33,307	(720)
Convertible debentures	-	701	(701)	-	2,611	(2,611)
Series A Debentures	456	-	456	456	-	456
Credit facility and other interest expense	1,300	1,000	300	2,647	1,280	1,367
	18,039	18,220	(181)	35,690	37,198	(1,508)
Amortization of financing costs and debt mark-to-market adjustments [1]	591	(263)	854	399	(504)	903
	18,630	17,957	673	36,089	36,694	(605)
Interest capitalized to properties under development	(701)	(175)	(526)	(1,265)	(298)	(967)
Distributions on Class B Units recorded as interest expense	238	218	20	481	446	35
	18,167	18,000	167	35,305	36,842	(1,537)
Less: Share of finance costs from joint ventures	553	560	(7)	1,107	1,276	(169)
Total finance costs	17,614	17,440	174	34,198	35,566	(1,368)

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

Interest expense on the same property portfolio decreased $0.2 million in Q2 2017 and $1.0 million in 2017 YTD, primarily due to lower interest rates achieved on mortgage renewals.

The convertible debentures were redeemed in Q2 2016.

Series A Debentures in the amount of $200 million were issued on June 9, 2017 and bear interest at 3.786%.

Credit facility and other interest expense increased $0.3 million in Q2 2017 and $1.4 million in 2017 YTD, primarily due to higher balances borrowed under such facilities.
Amortization of financing costs and debt mark-to-market adjustments increased $0.9 million in Q2 2017 and 2017 YTD, primarily due to accelerated amortization of $0.7 million of financing costs related to our $200 million and $50 million credit facilities that were replaced with the Credit Facilities in Q2 2017.

Interest capitalized to properties under development increased $0.5 million in Q2 2017 and $1.0 million in 2017 YTD, primarily due to higher levels of development activity.

Other Income/(Expense)

($000s)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Transaction costs arising on business acquisitions and dispositions [1]	(816)	(2,917)	2,101	(2,416)	(4,552)	2,136
Gain on remeasurement to fair value of existing interest [1]	-	5,187	(5,187)	-	5,187	(5,187)
Gain on sale of assets [1]	105	1,333	(1,228)	141	1,651	(1,510)
Other income	263	-	263	553	-	553
Impairment of property, plant and equipment ("PP&E")	-	-	-	-	(3,000)	3,000
Property lease expense [1]	(99)	(98)	(1)	(197)	(197)	-
	(547)	3,505	(4,052)	(1,919)	(911)	(1,008)
Less: Share of other income/(expense) from joint ventures	6	112	(106)	5	118	(113)
Total other income/(expense)	(553)	3,393	(3,946)	(1,924)	(1,029)	(895)

(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.

In Q1 2016, we recorded an impairment provision of $3.0 million related to one LTC property in Ontario.

Gain on remeasurement to fair value of existing interest in Q2 2016 relates to the acquisition of the remaining 50% interest in a co-owned property from our joint venture partner.

Gain on sale of assets in Q2 2016 and 2016 YTD includes $0.7 million related to the sale of three non-core properties in Quebec.

Other Items

($000s)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Depreciation of PP&E (1)	(36,790)	(36,549)	(241)	(76,420)	(73,538)	(2,882)
Amortization of intangible assets (1)	(440)	(296)	(144)	(941)	(600)	(341)
Changes in fair value of financial instruments and foreign exchange loss (1)	1,923	(5,478)	7,401	(2,957)	(23,753)	20,796
Deferred income tax (expense)/benefit	106	-	106	106	-	106

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

Depreciation of PP&E increased $0.2 million in Q2 2017 and $2.9 million in 2017 YTD, primarily due to depreciation of properties acquired in 2016 and 2017.

Changes in fair value of financial instruments and foreign exchange loss result from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties, subject to income guarantees. 2016 YTD amounts include an $11.4 million charge for revaluation of our 5.7% convertible debentures which were redeemed in Q2 2016.

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 2017.

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.)

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same Property							
100% owned	101	771	10,523	581	111	484	12,470
50% owned	40	572	6,701	378	63	-	7,714
Total same property owned	141	1,343	17,224	959	174	484	20,184
Acquisitions, Development & Other							
100% owned – operating	9	-	752	200	28	-	980
Partially owned – operating [1]	6	-	424	83	17	-	524
Total acquisitions, development & other	15	-	1,176	283	45	-	1,504
Total	156	1,343	18,400	1,242	219	484	21,688

(1) We own an 85% interest in four of these properties (includes one medical office building) and a 50% interest in two properties.

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

($000s, except occupancy rates)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Revenue						
Same property	143,015	139,490	3,525	285,898	278,478	7,420
Acquisitions, development and other	13,725	12,721	1,004	27,471	23,025	4,446
Total revenue	156,740	152,211	4,529	313,369	301,503	11,866
Direct Property Operating Expenses						
Same property	86,556	84,219	2,337	172,535	168,553	3,982
Acquisitions, development and other	10,228	9,185	1,043	20,802	16,408	4,394
Total direct property operating expenses	96,784	93,404	3,380	193,337	184,961	8,376
Net Operating Income						
Same property	56,459	55,271	1,188	113,363	109,925	3,438
Acquisitions, development and other	3,497	3,536	(39)	6,669	6,617	52
Total net operating income	59,956	58,807	1,149	120,032	116,542	3,490
Weighted average occupancy rate - same property	91.4%	92.2%	(0.8pp)	91.7%	92.4%	(0.7pp)
Weighted average occupancy rate – total portfolio	89.1%	91.3%	(2.2pp)	89.7%	91.4%	(1.7pp)

Same property revenue increased 2.5% in Q2 2017, primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies and lower ancillary services revenues.

Same property direct operating expenses increased 2.8% in Q2 2017, primarily due to higher staffing costs as well as higher marketing expenses, primarily due to timing.

Same property NOI increased $1.2 million or 2.1% in Q2 2017 as follows:

- Our Ontario platform same property NOI increased $0.1 million as rental rate increases in line with competitive market conditions and lower utilities expenses were offset by lower occupancies, and ancillary services revenues, higher staffing, marketing and property tax expenses.
- Our Western Canada platform same property NOI increased $0.8 million or 6.8%, primarily due to higher occupancies and rental rate increases in line with competitive market conditions, partially offset by higher staffing and utilities expenses.
- Our Quebec platform same property NOI increased $0.3 million or 2.2%, primarily due to rental rate increases in line with competitive market conditions and lower staffing costs primarily resulting from recovery of certain employee benefit costs in Q2 2016, partially offset by lower occupancies and higher marketing expenses.

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

	Q2 2017	Q2 2016	Change	Q1 2017	Change
Ontario	88.5%	89.2%	(0.7pp)	89.6%	(1.1pp)
Western Canada	96.4%	95.0%	1.4pp	96.2%	0.2pp
Quebec	92.4%	94.4%	(2.0pp)	93.3%	(0.9pp)
Total	91.4%	92.2%	(0.8pp)	92.1%	(0.7pp)

While occupancies remain strong in our Western Canada platform, Ontario and Quebec platforms experienced occupancy declines 2017 YTD, primarily due to higher-than-usual resident turnover in the winter months and competitive pressures from the new supply in certain of our Ontario and Quebec markets.

Long Term Care Operations

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

		Composition of Suites					
	Properties	**IL**	**ISL**	**AL**	**MC**	**LTC**	**Total**
Same property	23	-	84	-	-	2,900	2,984
Acquisitions, development and other	1	-	49	-	-	100	149
Total	24	-	133	-	-	3,000	3,133

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

($000s, except occupancy rates)	**Q2 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Revenue						
Same property	53,858	53,116	742	106,425	105,798	627
Acquisitions, development and other	1,937	2,082	(145)	3,854	4,149	(295)
Total revenue	55,795	55,198	597	110,279	109,947	332
Direct Property Operating Expenses						
Same property	47,028	45,789	1,239	93,327	92,120	1,207
Acquisitions, development and other	1,854	1,897	(43)	3,750	3,784	(34)
Total direct property operating expenses	48,882	47,686	1,196	97,077	95,904	1,173
Net Operating Income						
Same property	6,830	7,327	(497)	13,098	13,678	(580)
Acquisitions, development and other	83	185	(102)	104	365	(261)
Total net operating income	6,913	7,512	(599)	13,202	14,043	(841)
Weighted average occupancy rate - same property	98.5%	98.9%	(0.4pp)	98.3%	98.8%	(0.5pp)
Weighted average occupancy rate – total portfolio	97.7%	98.8%	(1.1pp)	97.5%	98.7%	(1.2pp)

Same property NOI decreased 6.8% in Q2 2017, primarily due to lower ancillary services revenues and timing of certain expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancy in the same property portfolio was 98.5% in Q2 2017 compared to 98.9% in Q2 2016.

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for June 30, 2017 compared to December 31, 2016.

	Increase / (Decrease) ($millions)	Explanation
Total assets	124.0	Total assets increased primarily due to the proceeds from the issuance of Series A Debentures, of which $115.2 million was held in escrow pending the closing of the acquisition of three properties in Ontario which closed on July 4, 2017.
Total liabilities	162.4	Total liabilities increased primarily due to the issuance of Series A Debentures and new mortgage financings, partially offset by lower amounts outstanding under Credit Facilities and lower accounts payable and other liabilities.
Equity	(38.5)	The decrease in equity is primarily due to distributions on Trust Units, partially offset by the issuance of Trust Units under our Distribution Reinvestment Plan (“DRIP”) and on vesting of DTUs.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2017 and Q2 2016 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) ($millions)	Explanation
Operating activities	7.3	Change in cash flows from operating activities is primarily due to changes in working capital balances.
Financing activities	32.8	Change in cash flows from financing activities is primarily due to the issuance of Series A Debentures and higher mortgage proceeds, partially offset by the reduction of amounts outstanding on Credit Facilities.
Investing activities	(46.7)	Change in cash flows from investing activities is primarily due to cash held in escrow for funding of the acquisition of three properties in Ontario that closed on July 4, 2017, and higher capital investments in our existing properties, partially offset by a reduction in cash used for acquisitions, and the proceeds from the disposition of one property in 2017.

Liquidity and Capital Resources

Liquidity

Our liquidity and capital resources are used to fund capital investments in our properties, development and acquisition activities, servicing of our debt obligations, and distributions to our unitholders.

Our principal source of liquidity is net operating income generated from our property operations. We also finance our operations through the use of property-specific mortgages, secured and unsecured credit facilities, senior unsecured debentures, and equity financing.

At June 30, 2017 our liquidity was $107.3 million consisting of cash and cash equivalents of $45.2 million, including cash and cash equivalents from Chartwell's Interest in equity-accounted investments of $6.0 million, and $62.1 million available borrowing capacity under our Credit Facilities as presented in the following table:

($000s)	**June 30, 2017**	December 31, 2016
Cash and cash equivalents	39,225	30,050
Cash of equity-accounted investments	6,044	8,238
Available under Credit Facilities	62,074	73,759
Total	107,343	112,047

At June 30, 2017, $115.2 million was advanced to an escrow account with our counsel to fund the acquisition of a portfolio of three properties in Ontario which closed on July 4, 2017. This amount is reported under restricted cash in our Financial Statements and has not been included in the table above.

Debt

Our debt portfolio currently consists of property-specific mortgages, credit facilities, and senior unsecured debentures. Our debt management objective is to maximize financial flexibility while continuing to strengthen our balance sheet by:

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- managing 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;
- proactively managing our short-term maturities and where appropriate, refinance maturing mortgages with long-term debt; and
- growing our unencumbered asset pool.

The following table summarizes the components of our debt at June 30, 2017 and December 31, 2016 at Chartwell's Interest:

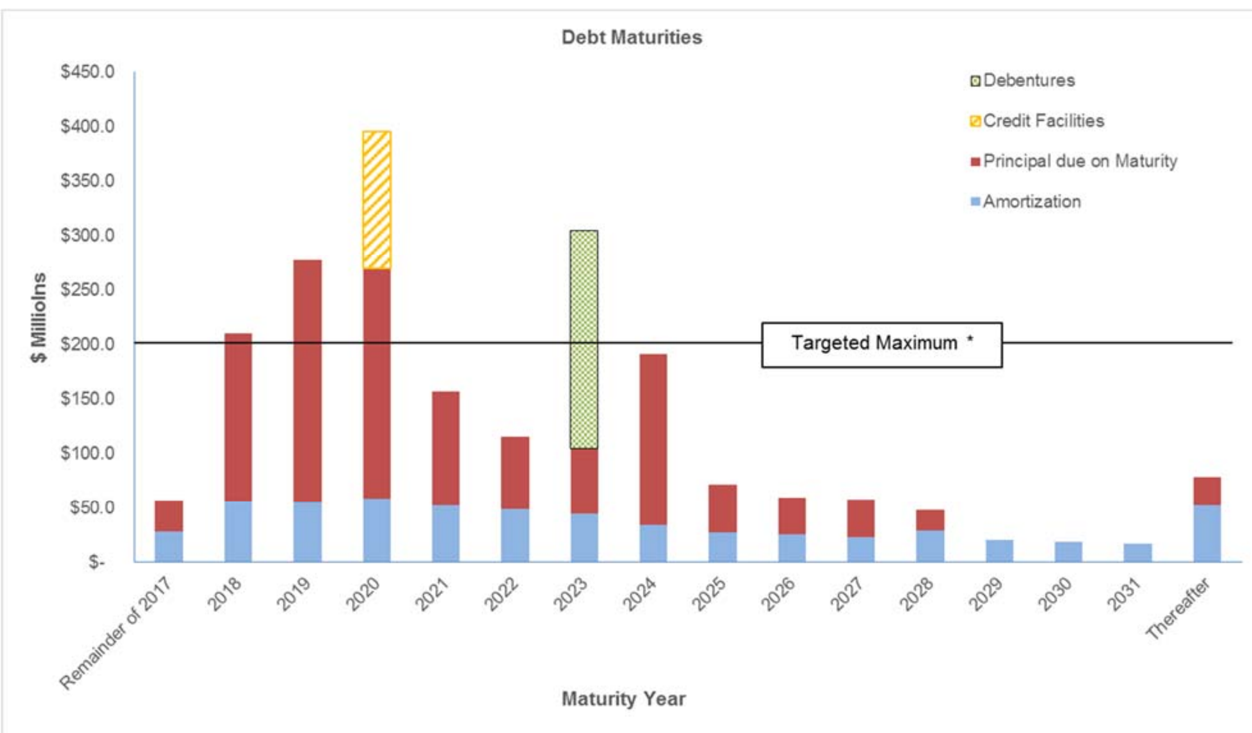
($000s)	**June 30, 2017**	December 31, 2016
Mortgages payable	1,755,679	1,722,667
Credit Facilities	126,000	172,000
Series A Debentures	200,000	-
Total debt	2,081,679	1,894,667

The following table summarizes the scheduled principal maturity for our debt portfolio at Chartwell's Interest:

($000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Senior Unsecured Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	**Total**	Consolidated Weighted Average Interest Rate
Remainder of 2017	27,932	29,103	57,035	3.83%	-	-	-	-	57,035	3.83%
2018	55,899	153,918	209,817	3.74%	-	-	-	-	209,817	3.74%
2019	54,802	222,953	277,755	3.06%	-	-	-	-	277,755	3.06%
2020	58,813	210,919	269,732	3.33%	-	-	126,000	2.92%	395,732	3.20%
2021	52,202	105,504	157,706	4.13%	-	-	-	-	157,706	4.13%
2022	48,645	66,799	115,444	3.88%	-	-	-	-	115,444	3.88%
2023	44,472	60,419	104,891	4.21%	200,000	3.79%	-	-	304,891	3.93%
2024	34,468	156,797	191,265	4.00%	-	-	-	-	191,265	4.00%
2025	27,476	44,335	71,811	3.38%	-	-	-	-	71,811	3.38%
2026	25,706	33,830	59,536	3.26%	-	-	-	-	59,536	3.26%
2027	23,008	34,254	57,262	3.44%	-	-	-	-	57,262	3.44%
2028	29,241	18,925	48,166	4.49%	-	-	-	-	48,166	4.49%
2029	20,267	-	20,267	4.96%	-	-	-	-	20,267	4.96%
2030	18,836	-	18,836	5.13%	-	-	-	-	18,836	5.13%
2031	17,335	-	17,335	5.23%	-	-	-	-	17,335	5.23%
Thereafter	52,442	26,379	78,821	4.70%	-	-	-	-	78,821	4.70%
Total legal balance	591,544	1,164,135	1,755,679	3.74%	200,000	3.79%	126,000	2.92%	2,081,679	3.69%

Included in 2019, 2020 and 2021 mortgage maturities are $175.3 million, $120.6 million, and $31.7 million respectively, of loans bearing interest at variable rates or at rates fixed through the use of interest rate swaps of various durations. These loans are expected to be refinanced with CMHC-insured, long-term debt upon the properties achieving stabilized occupancy at or prior to maturity of these loans.

The following chart provides a breakdown of our debt maturities at Chartwell's Interest:



** 10% of total debt = $208.2 million*

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest.

The following table summarizes the changes in our mortgage portfolio in 2017 YTD:

	Balance ($000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Balance at December 31, 2016	1,722,667	6.9	3.84%	59%
Matured in the period	(57,924)	-	4.59%	10%
New mortgage financing	119,423	8.8	2.91%	76%
Regular amortizing principal repayments	(28,487)	N/A	N/A	N/A
Legal balance at June 30, 2017	1,755,679	6.8	3.74%	61%
Mark-to-market adjustments arising on acquisitions	17,871			
Less: Financing costs	(26,483)			
Total balance at June 30, 2017	1,747,067			

New mortgage financing includes additional financing on CMHC-insured mortgages totalling $89.5 million with a weighted average interest rate of 2.85% and weighted average term of 10.9 years, bridge loans on two non-stabilized properties totalling $23.8 million with a weighted interest rate of 3.08% and weighted average term of 3.8 years and construction financing for one property under development of $6.1 million with a weighted average interest rate of 2.44% and weighted average term of 2.6 years.

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

	At June 30, 2017			At December 31, 2016
	Fixed Rate	Variable Rate	Total	Total
Amount ($000s)	1,710,451	45,228	1,755,679	1,722,667
Weighted average interest rate	3.77%	2.83%	3.74%	3.84%
Average term to maturity (years)	6.9	3.2	6.8	6.9

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of June 30, 2017, approximately 61% of our total 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.

Credit Facilities

On May 29, 2017, we entered into agreements with a syndicate of Canadian financial institutions for the Credit Facilities totalling $300 million with accordion options for an additional $150 million. The Credit Facilities have three-year terms maturing in May 2020 and include annual extension options. These new Credit Facilities replaced the $200 million and $50 million credit facilities which were scheduled to mature in June 2018.

The first credit facility is a $100 million unsecured facility (the "Unsecured Facility") which can be increased by up to $50 million during its term. The amounts borrowed under the Unsecured Facility will bear interest at rates ranging from Bankers' Acceptance rate ("BA") plus 180 basis points ("bps") to BA plus 210 bps or, Prime rate ("Prime") plus 80 bps to Prime plus 110 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement.

The second credit facility is a $200 million secured facility (the "Secured Facility") which can be increased by up to $100 million during its term. The facility is secured by charges over 21 properties. The amounts borrowed under the Secured Facility will bear interest at rates ranging from BA plus 165 bps to BA plus 185 bps or, Prime plus 65 bps to Prime plus 85 bps, based on Chartwell's overall leverage ratio, as defined in the credit agreement. As of June 30, 2017, $126.0 million was outstanding on the Secured Credit Facility, leaving available borrowing capacity of $62.1 million.

Based on our leverage ratio, in Q3 2017, the amounts, if any, drawn on our Secured Facility would bear interest at BA plus 165 bps or Prime plus 65 bps. The amounts, if any, drawn on our Unsecured Facility would bear interest at BA plus 180 bps or Prime plus 80 bps.

The Credit Facilities include covenants generally applicable to such facilities, such as limitations on certain investments and hedging arrangements, overall leverage ratio, debt service coverage ratio, distributions payout ratio and, in the case of the Unsecured Facility, secured indebtedness ratio and unencumbered asset value ratio. Please refer to the “Financial Covenants” section of this MD&A for detailed calculations of these covenants.

Senior Unsecured Debentures

On June 9, 2017, we issued $200.0 million of Series A Debentures due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt financing costs of $1.1 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Series A Debentures

($000s)	**As at June 30, 2017**	As at December 31, 2016
Series A Debentures outstanding	200,000	N/A
Less: Financing costs	1,091	N/A
Carrying value	198,909	N/A

Convertible Debentures

On April 12, 2016, we issued a redemption notice to the holders of our 5.7% convertible debentures with an outstanding principal balance of $131.9 million. Under the terms of the trust indentures governing these debentures, before May 16, 2016 (the “Redemption Date”) the holders had the right to convert their debentures into Trust Units at a conversion price of $11.00 per unit. We elected to satisfy our redemption obligations for any unconverted convertible debentures by issuing Trust Units at 95% of the market price on the Redemption Date, as provided for in the trust indentures. As a result, 11.9 million of our Trust Units were issued in satisfaction of the full amount of convertible debentures.

Credit Rating

Chartwell’s credit rating for our Senior Unsecured Debentures is summarized below:

Debt	Rating Agency	Long-term Credit Rating	Trend
Senior Unsecured Debentures	DBRS	BBB (low)	Stable

Long-term ratings assigned by DBRS Limited ("DBRS") provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS’ long-term credit ratings scale ranges from “AAA” (typically assigned to obligations of the highest credit quality) to “D” (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated “BBB” by

DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS assigns rating trends based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The above-mentioned rating assigned to our Senior Unsecured Debentures is not a recommendation to buy, sell or hold any securities of Chartwell and may be subject to revision or withdrawal at any time by DBRS. Chartwell has paid customary rating fees to DBRS in connection with the above-mentioned rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

Financial Covenants

Our Credit Facilities and Series A Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The following discussions provide the status of our various financial covenants related to our Credit Facilities and Series A Debentures.

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 29, 2017 (the "Credit Agreements"), and in the Trust Indenture and the First Supplemental Trust Indenture dated June 9, 2017. These covenants are calculated at Chartwell's Interests and may not be comparable to similar metrics used by other entities.

Credit Facilities

1. Debt Service Coverage Ratio

We are required to maintain minimum debt service coverage ratio of 1.40 on a rolling 12-month basis.

($000s, except debt service coverage ratio)	**Rolling 12 months June 30, 2017**	Rolling 12 months December 31, 2016
Consolidated EBITDA for Credit Facilities (1)	250,356	250,687
Consolidated interest expense for Credit Facilities (2)	70,964	72,472
Consolidated regularly-scheduled debt principal payments (3)	55,127	52,881
Consolidated debt service payments	126,091	125,353
Debt service coverage ratio	1.99	2.00

(1) Refer to the "Supporting Covenant Calculations – Consolidated EBITDA" section of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.
(2) Refer to the "Supporting Covenant Calculations – Consolidated Interest Expense" section of this MD&A for the calculation of consolidated interest expense for Credit Facilities.
(3) Refer to the "Supporting Covenant Calculations – Consolidated Regularly-Scheduled Debt Principal Payments" section of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments.

2. Total Leverage Ratio

We are required to maintain total leverage ratio below 65%.

($000s, except total leverage ratio)	**As at June 30, 2017**	As at December 31, 2016
Consolidated indebtedness for Credit Facilities [(1)]	2,113,844	1,927,076
Adjusted consolidated gross book value of assets for Credit Facilities [(2)]	3,996,609	3,835,969
Total leverage ratio	52.9%	50.2%

(1) *Refer to the "Supporting Covenant Calculations – Consolidated Indebtedness" section of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.*
(2) *Refer to the "Supporting Covenant Calculations – Aggregate Adjusted Assets" section of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.*

3. Adjusted Consolidated Unitholders' Equity Ratio

We are required to maintain adjusted consolidated unitholders' equity of at least $1.0 billion, plus 75% of the net proceeds raised by further issuance of units after June 30, 2016.

At June 30, 2017, the minimum adjusted consolidated unitholders' equity requirement was $1.0 billion.

($000s)	**As at June 30, 2017**	As at December 31, 2016
Unitholders' equity per Financial Statements	786,515	824,983
Accumulated depreciation and amortization [(1)]	719,279	681,207
Class B Units	25,635	23,871
DTUs	12,788	13,620
Adjusted consolidated unitholders' equity	1,544,217	1,543,681

(1) *Includes accumulated depreciation and amortization of equity-accounted investments of $22.6 million at June 30, 2017 ($18.9 million at December 31, 2016) and fully amortized assets of $176.5 million at June 30, 2017 ($179.1 million at December 31, 2016).*

4. Payment of Cash Distributions

We are required not to make cash distributions exceeding 100% of our AFFO.

($000s, except percentage of AFFO)	**2017 YTD**	2016 YTD
Distributions declared on Trust Units	54,822	51,022
Distributions on Class B Units	481	446
Distributions on DTUs	246	234
Total distributions	55,549	51,702
Less:		
Non-cash distributions settled by DRIP	9,831	9,252
Non-cash distributions applied to EUPP	434	438
Non-cash distributions applied to DTUs	246	234
Cash distributions	45,038	41,778
AFFO [(1)]	77,380	78,286
Cash distributions as a percentage of AFFO	58.2%	53.4%

(1) *Refer to the "Supporting Covenant Calculations – Adjusted Funds from Operations" section of this MD&A for the calculation of AFFO.*

5. Investment Restrictions

Our Credit Agreements include certain restrictions on investments in certain joint ventures, mortgage receivables and properties held for development as follows:

($000s)	Threshold as of June 30, 2017	**As at June 30, 2017**	As at December 31, 2016
Non-qualifying joint ventures and investments (1)	199,830	-	-
Mortgage receivables (2)	599,491	9,071	10,528
Investments in property held for development/construction (2)	599,491	96,071	82,714
Combined (3)	999,152	105,142	93,242

(1) Limit of 5% of adjusted consolidated gross book value of assets.
(2) Limit of 15% of adjusted consolidated gross book value of assets.
(3) Limit of 25% of adjusted consolidated gross book value of assets.

The following financial covenants are only applicable to the Unsecured Credit Facility:

6. Secured Indebtedness Ratio

We are required to maintain a secured indebtedness to adjusted consolidated gross book value of assets ratio of below 55%.

($000s, except secured indebtedness ratio)	**As at June 30, 2017**	As at December 31, 2016
Secured indebtedness (1)	1,881,679	1,894,667
Adjusted consolidated gross book value of assets for Credit Facilities (2)	3,996,609	3,835,969
Secured indebtedness ratio	47.1%	49.4%

(1) Refer to the "Supporting Covenant Calculations – Consolidated Indebtedness" section of this MD&A for the calculation of secured indebtedness.
(2) Refer to the "Supporting Covenant Calculations – Aggregate Adjusted Assets" section of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

7. Unencumbered Property Asset Ratio

We are required to maintain the unencumbered property asset value at more than 1.5 times our consolidated unsecured indebtedness. For the purposes of calculating the unencumbered property asset ratio covenant under our Unsecured Credit Facility, only wholly-owned assets with occupancy above 80% can be included.

($000s)	**June 30, 2017 (1)**	December 31, 2016
Unencumbered property asset value	369,600 (1)	N/A
Unsecured indebtedness for Credit Facilities (2)	232,165	N/A
Unencumbered property asset ratio	1.6	N/A

(1) In accordance with the terms of the underlying agreement, the calculation of this ratio as at June 30, 2017 has been calculated using our unencumbered property asset value consisting of 16 properties valued at $369.6 million including two properties acquired on July 4, 2017.
(2) Refer to the "Supporting Covenant Calculations – Consolidated Indebtedness" section for the calculation of unsecured indebtedness for Credit Facilities.

Series A Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio.

We are required at all times to maintain a ratio of consolidated EBITDA to consolidated interest expense of not less than 1.65 on a proforma basis.

($000s, except ratio)	**Rolling 12 months June 30, 2017**	Rolling 12 months December 31, 2016
Consolidated EBITDA for Series A Debentures [1]	263,757	256,353
Consolidated interest expense for Series A Debentures [2]	80,026	70,062
Ratio	3.3	3.7

(1) Refer to the "Supporting Covenant Calculations – Consolidated EBITDA" section of this MD&A for the calculation of consolidated EBITDA for Series A Debentures.
(2) Refer to the "Supporting Covenant Calculations – Consolidated Interest Expense" section of this MD&A for the calculation of consolidated interest expense for Series A Debentures.

2. Indebtedness Percentage

We are required to maintain a ratio of consolidated indebtedness to aggregate adjusted assets of less than or equal to 65%.

($000s, except ratio)	**June 30, 2017**	December 31, 2016
Consolidated indebtedness for Series A Debentures [1]	2,094,146	1,881,290
Aggregate adjusted assets for Series A Debentures [2]	4,006,258	3,819,681
Ratio	52.3%	49.3%

(1) Refer to the "Supporting Covenant Calculations – Consolidated Indebtedness" section of this MD&A for the calculation of consolidated indebtedness for Series A Debentures.
(2) Refer to the "Supporting Covenant Calculations – Aggregate Adjusted Assets" section of this MD&A for the calculation of aggregate adjusted assets for Series A Debentures.

3. Coverage Ratio

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.30 on a proforma basis giving effect to the transactions completed from June 30, 2017 to the date of this MD&A.

($000s, except ratio)	**June 30, 2017**	December 31, 2016
Unencumbered aggregate adjusted assets [1]	454,500	N/A
Unsecured indebtedness for Series A Debentures [2]	202,818	N/A
Ratio	2.2	N/A

(1) Includes 22 properties valued at $454.5 million as of June 30, 2017 (Nil as of December 31, 2016).
(2) Refer to the "Supporting Covenant Calculations – Consolidated Indebtedness" section for the calculation of unsecured indebtedness for Series A Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA

The following table provides the calculation of consolidated EBITDA.

($000s)	Rolling 12 months December 31, 2016	*Subtract:* 2016 YTD	*Add:* **2017 YTD**	**Rolling 12 months June 30, 2017**
Net income/(loss) – continuing operations	(710)	(15,961)	2,142	17,393
Loss/(gain) on sale of assets	(1,961)	(1,651)	(141)	(451)
Transaction costs	5,400	4,552	2,416	3,264
Non-cash changes in fair value of financial instruments and foreign exchange gains/(losses)	14,601	23,753	2,957	(6,195)
Impairment of PP&E	6,390	3,000	-	3,390
Gain on remeasurement of fair value of existing interest	(5,187)	(5,187)	-	-
Consolidated net income	18,533	8,506	7,374	17,401
Consolidated finance costs	71,207	36,842	35,305	69,670
Consolidated depreciation and amortization	154,631	74,138	77,361	157,854
Consolidated income tax expense/(benefit)	27	-	(106)	(79)
Principal portion of capital funding	6,289	3,572	2,793	5,510
Consolidated EBITDA for Credit Facilities	250,687	123,058	122,727	250,356
Proforma adjustments	5,666			13,401 (1)
Consolidated EBITDA for Series A Debentures	256,353			263,757

(1) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period and up to the date of this MD&A, on a proforma basis.

2. Consolidated Interest Expense

The following table provides the calculation of consolidated interest expense.

($000s)	Rolling 12 months December 31, 2016	*Subtract:* 2016 YTD	*Add:* **2017 YTD**	**Rolling 12 months June 30, 2017**
Interest on mortgages	65,949	33,307	32,587	65,229
Interest on convertible debentures	2,611	2,611	-	-
Interest on Series A Debentures	-	-	456	456
Interest on credit facilities	3,912	1,280	2,647	5,279
Consolidated interest expense for Credit Facilities	72,472	37,198	35,690	70,964
Proforma adjustments	(2,410)			9,062 (1)
Consolidated interest expense for Series A Debentures	70,062			80,026

(1) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis.

3. Regularly-Scheduled Debt Principal Payments

The following table summarizes regularly-scheduled principal debt payments.

($000s)	Rolling 12 months December 31, 2016	*Subtract:* 2016 YTD	*Add:* **2017 YTD**	**Rolling 12 months June 30, 2017**
Regularly-scheduled debt principal payments per Financial Statements	52,651	26,140	28,327	54,838
Regularly-scheduled debt principal payments for equity-accounted entities	230	101	160	289
Regularly-scheduled debt principal payments at Chartwell's Interest	52,881	26,241	28,487	55,127

4. Consolidated Indebtedness

The following table provides the calculation of consolidated indebtedness.

($000s)	**June 30, 2017**	December 31, 2016
Mortgages payable	1,755,679	1,722,667
Outstanding amount on Secured Facility	126,000	172,000
Secured indebtedness	1,881,679	1,894,667
Series A Debentures	200,000	-
Deferred purchase consideration	1,506	1,506
Capital lease obligations	1,312	1,405
Unsecured indebtedness for Series A Debentures	202,818	2,911
Outstanding letters of credit	4,090	4,241
Third-party guarantees	25,257	25,257
Unsecured indebtedness for Credit Facilities	232,165	32,409
Consolidated indebtedness for Credit Facilities	2,113,844	1,927,076
Add (Subtract):		
Outstanding letters of credit	(4,090)	(4,241)
Third-party guarantees	(25,257)	(25,257)
Cash and cash equivalents	(45,269)	(38,288)
Proforma adjustments	54,918 (1)	22,000
Consolidated indebtedness for Series A Debentures	2,094,146	1,881,290

(1) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis.

5. Aggregate Adjusted Assets

The following table provides the calculations of adjusted consolidated gross book value of assets and aggregate adjusted assets.

($000s)	**June 30, 2017**	December 31, 2016
Book value of assets	3,000,887	2,878,609
Gross book value adjustment on IFRS transition (1)	276,443	276,153
Accumulated depreciation and amortization	719,279	681,207
Adjusted consolidated gross book value of assets for Credit Facilities	3,996,609	3,835,969
Add (Subtract):		
Cash and cash equivalents	(45,269)	(38,288)
Proforma adjustments	54,918 (2)	22,000
Aggregate adjusted assets for Series A Debentures	4,006,258	3,819,681

(1) The change from December 31, 2016 is due to the sale of one property in Quebec in Q2 2017.
(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis.

6. Adjusted Funds from Operations

AFFO is presented based on the definition used in our Credit Agreement and may not be comparable to similar measures used by other issuers. In accordance with our Credit Agreement, AFFO is calculated 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: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and 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.

The following table provides the calculation of AFFO for the purposes of the covenant calculations:

($000s, except per unit amounts)	**2017 YTD**	2016 YTD
FFO (1)	83,962	82,648
Add (Subtract):		
Principal portion of capital subsidy receivable from Health Authorities	2,793	3,572
Amounts receivable under income guarantees	482	1,641
Amortization of financing costs and debt mark-to-market adjustments (2)(3)	(616)	(696)
Financing cost reserve	(768)	(650)
AFFO before capital maintenance reserve	85,853	86,515
Capital maintenance reserve - 2% of property revenue	(8,473)	(8,229)
AFFO	77,380	78,286

(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 and for our Series A Debentures.

Net Debt to Adjusted EBITDA Ratio

In addition to the covenants related to our Credit Facilities and Series A Debentures, we internally monitor net debt to adjusted EBITDA ratio.

In Q2 2017, we changed our calculation of this ratio to conform with the definitions of consolidated EBITDA and consolidated indebtedness used for our Series A Debentures covenants. The main difference from the previous calculations is the inclusion of transactions occurring subsequent to the reporting period up to the date of this MD&A on a proforma basis.

The following table summarizes our net debt to adjusted EBITDA ratio at June 30, 2017 and December 31, 2016, at Chartwell's Interest:

($000s, except net debt to adjusted EBITDA ratio)	**June 30, 2017**	December 31, 2016
Consolidated indebtedness for Series A Debentures [(1)]	2,094,146	1,881,290
Consolidated EBITDA for Series A Debentures [(2)]	263,757	256,353
Net debt to adjusted EBITDA ratio	7.9	7.3

(1) Refer to the "Consolidated Indebtedness" discussion above for the calculation of this amount.
(2) Refer to the "Consolidated EBITDA" discussion above for the calculation of this amount.

Unitholders' Equity

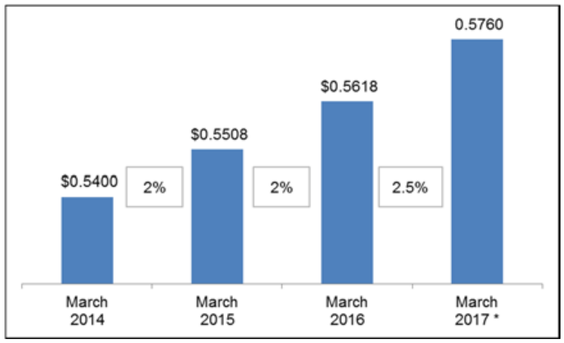
The following table summarizes changes in the number of outstanding units during 2017 YTD:

	Trust Units	**Trust Units under EUPP**	**Class B Units**	**Deferred Trust Units**	**Total**
Balance December 31, 2016	190,095,474	1,515,388	1,627,173	928,618	194,166,653
Trust Units issued pursuant to DRIP	653,133	-	-	-	653,133
Trust Units issued under the Executive Unit Purchase Plan ("EUPP")	-	89,778	-	-	89,778
Trust Units surrendered for cancellation under EUPP	-	(4,784)	-	-	(4,784)
Trust Units released on settlement of EUPP receivable	83,690	(83,690)	-	-	-
Issuance of Class B Units	-	-	31,565	-	31,565
Exchange of Class B Units into Trust Units	7,000	-	(7,000)	-	-
DTUs issued	-	-	-	34,403	34,403
Distributions on DTUs	-	-	-	15,876	15,876
Exchange of DTUs into Trust Units	154,740	-	-	(154,740)	-
Balance June 30, 2017	190,994,037	1,516,692	1,651,738	824,157	194,986,624

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.

The following chart summarizes increases in our annualized per unit distributions over the past three years:



** Effective for the March 31, 2017 distribution paid on April 15, 2017.*

Unitholders who are Canadian residents are eligible to participate in our 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 our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2017 YTD, our average DRIP participation was 18.2% compared to 18.5% participation in 2016 YTD.

The following table summarizes distributions declared on Trust Units in Q2 2017, 2017 YTD, 2016 and 2015 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

($000s)	**Q2 2017**	**2017 YTD**	2016	2015
Distributions declared on Trust Units	27,675	54,822	104,701	96,553
Cash flows from operating activities	45,088	69,457	158,373	115,821
Net income/(loss) from continuing operations	6,309	2,142	(710)	12,139
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	17,413	14,635	53,672	19,268
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(21,366)	(52,680)	(105,411)	(84,414)

Historically, we distributed cash to our unitholders in excess of net income from continuing operations. 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.

Capital Investments

We regularly reinvest capital in our owned property portfolio. These investments are made with the goal of growing our property NOI. The strategic allocation of our resources to such capital investments is driven by three key objectives:

1. Improve competitive positioning of our properties in their markets to support growth in occupancies and resident revenue.
2. Improve operating efficiencies through provision of enhanced services to our residents and cost containment strategies, including investments in energy conservation and management projects.
3. Maintain the quality of our portfolio in compliance with applicable laws and regulations to maintain and grow the value of our real estate.

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price. We normally prepare a five-year capital plan for such properties, which often includes investments in property repositioning, such as suite and common area upgrades.

The following table summarizes our capital investments in 2017 YTD at Chartwell's Interest:

	2017 YTD			2016 YTD		
($000s)	Properties Owned prior to January 1, 2013 (1)	Properties Acquired since January 1, 2013 (2)	Total	Properties Owned prior to January 1, 2013 (1)	Properties Acquired since January 1, 2013 (3)	Total
Building improvements	6,212	356	6,568	5,245	430	5,675
Mechanical and electrical ("M&E")	2,829	401	3,230	2,620	229	2,849
Suite improvements and upgrades	7,253	1,369	8,622	5,417	541	5,958
Interior improvements and upgrades	1,451	65	1,516	1,030	32	1,062
Furniture, fixtures and equipment ("FF&E")	3,277	1,237	4,514	3,306	562	3,868
Communications and information systems	1,061	398	1,459	3,097	422	3,519
Total capital investments	22,083	3,826	25,909	20,715	2,216	22,931

(1) Includes 153 properties (16,047 suites at Chartwell's share of ownership).
(2) Includes 28 properties (3,263 suites at Chartwell's share of ownership).
(3) Includes 26 properties (3,093 suites at Chartwell's share of ownership).

Building Improvements:

This category primarily includes investments in facades, balconies, garages, elevators and parking lots. In addition to preserving the existing revenue generating capacity and value of the properties, these investments support occupancy growth due to improved physical appearance of the property, growth in ancillary property revenues (i.e. parking rates) and operating cost savings (i.e. energy efficient windows and doors, improved building insulation).

In 2017 YTD, we completed 22 major building improvement projects valued over $50,000 each, totalling $2.9 million. In 2016 YTD, we completed nine projects for a total of $2.0 million.

In addition, this category includes the acquisitions of eight condominium suites at some of our properties in British Columbia totalling $2.2 million. In 2016 YTD, we acquired six condominium suites for a total of $1.6 million.

Mechanical and Electrical:

This category primarily includes investments in heating, air conditioning and ventilation systems, fire safety systems, including sprinklers, and lighting systems. These investments are generally expected to result in energy cost savings and lower equipment maintenance costs over time.

In 2017 YTD, we completed 10 major M&E project valued over $50,000, totalling $1.2 million. In 2016 YTD, we completed 10 projects for a total of $0.8 million.

Suite Improvements and Upgrades:

This category includes capital investments in resident suites. Over the past three years we have developed a program of strategic capital allocation to resident suite upgrades. These discretionary investments are made to improve the competitive position of our properties in the market and to allow for higher rental rate increases on suite turnover. In most cases, in addition to regular painting, resident suite upgrades include flooring upgrades and often full renovations of bathroom and kitchen facilities.

In 2017 YTD, 61 properties were subject to strategic suite upgrade programs (2016 YTD – 37 properties).

Interior Improvements and Upgrades:

This category includes investments in common areas of our properties that are made primarily to improve their marketability. This investment includes upgrades to property resident amenity areas, such as hallways, dining rooms, lounges, theatres, etc.

In 2017 YTD, 49 properties were subject to strategic common area upgrade programs (2016 YTD – 29 properties).

Furniture, Fixtures and Equipment:

This category primarily includes investments in resident area and model suite furnishings and equipment, including upgrades to commercial kitchens and investments in resident transportation programs. These investments are primarily made to improve competitiveness of our properties and to provide enhanced services to our residents.

Communication and Information Services:

This category includes investments in telecommunication systems, including emergency call systems, computer hardware and software and the implementation costs of major new information systems.

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2016 MD&A. There were no significant changes in our contractual obligations and guarantees in Q2 2017 which are outside the ordinary course of business.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

($000s, except per unit amounts)	**2017**		2016				2015	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	193,856	192,466	194,802	191,400	189,357	185,828	184,939	173,953
Direct property operating expenses	(126,693)	(125,943)	(128,177)	(122,883)	(122,959)	(121,208)	(122,502)	(115,562)
Depreciation and amortization	(35,341)	(38,075)	(38,534)	(37,955)	(35,021)	(35,245)	(34,396)	(28,164)
Share of net income/(loss) from joint ventures	904	536	1,829	1,759	931	172	(1,445)	966
G&A expenses	(10,121)	(10,405)	(8,227)	(8,264)	(9,126)	(8,221)	(7,581)	(7,003)
Other income/(expense)	(553)	(1,661)	1,049	(5,180)	3,393	(4,422)	(5,529)	(8,244)
Finance costs	(17,614)	(16,584)	(16,582)	(16,630)	(17,440)	(18,126)	(18,068)	(17,386)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	1,765	(4,501)	6,693	178	(5,546)	(18,328)	(6,451)	(863)
Current income tax (expense)/benefit	-	-	(27)	-	-	-	1,456	(2,796)
Deferred income tax (expense)/benefit	106	-	-	-	-	-	8,216	789
Net income/(loss) for the period – continuing operations	6,309	(4,167)	12,826	2,425	3,589	(19,550)	(1,361)	(4,310)
Net income/(loss) for the period	6,309	(4,167)	15,053	2,430	7,185	(19,872)	562	(4,768)
FFO – continuing operations [(1)]	41,856	42,106	43,767	46,222	42,304	40,344	38,484	35,559
Diluted FFO – continuing operations [(1)]	41,856	42,106	43,767	46,222	43,005	42,254	40,422	37,497
FFO per unit diluted – continuing operations [(1)]	0.21	0.22	0.23	0.24	0.22	0.22	0.21	0.20
Total FFO [(1)]	41,856	42,106	43,767	46,222	42,304	40,344	38,484	35,559
Total Diluted FFO [(1)]	41,856	42,106	43,767	46,222	43,005	42,254	40,422	37,497
Total FFO per unit diluted[(1)]	0.21	0.22	0.23	0.24	0.22	0.22	0.21	0.20

(1) Non-GAAP; refer to the "Non-GAAP Measures" section of this MD&A.

Our results for the past eight quarters have primarily been affected by developments, acquisitions and dispositions; refer to the "Significant Events" section of this MD&A and in our 2016 MD&A for details and changes in fair value of financial instruments and foreign exchange gains and losses.

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 used by other issuers.

In February 2017, REALPAC issued the REALPAC Guidance with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, ACFO. While we are not a member of REALPAC, we are currently reviewing the REALPAC Guidance. Based on this ongoing review, effective June 30, 2017, we will no longer use AFFO as a key performance indicator.

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 used by other issuers. However, we present FFO substantially consistent with the definition adopted by REALPAC.

According to the 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.

To the extent that our convertible debentures were dilutive to FFO per unit, convertible debenture interest was 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 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Net income/(loss) - continuing operations	6,309	3,589	2,720	2,142	(15,961)	18,103
Add (Subtract):						
Depreciation of PP&E (1)	36,790	36,549	241	76,420	73,538	2,882
Amortization of limited life intangible assets (1)	440	296	144	941	600	341
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above (1)	(603)	(223)	(380)	(1,148)	(442)	(706)
Gain on sale of assets (1)	(105)	(1,333)	1,228	(141)	(1,651)	1,510
Gain on remeasure to fair value of existing interest	-	(5,187)	5,187	-	(5,187)	5,187
Transaction costs arising on business acquisitions and dispositions (1)	816	2,917	(2,101)	2,416	4,552	(2,136)
Deferred income tax	(106)	-	(106)	(106)	-	(106)
Distributions on Class B Units recorded as interest expense	238	218	20	481	446	35
Changes in fair value of financial instruments and foreign exchange loss	(1,923)	5,478	(7,401)	2,957	23,753	(20,796)
Impairment provision	-	-	-	-	3,000	(3,000)
FFO (1)(2)	41,856	42,304	(448)	83,962	82,648	1,314
FFO (1)(2)	41,856	42,304	(448)	83,962	82,648	1,314
Interest expense on 5.7% convertible debentures	-	701	(701)	-	2,611	(2,611)
Diluted FFO (3)	41,856	43,005	(1,149)	83,962	85,259	(1,297)
FFO per unit (4)						
Basic	0.21	0.22	(0.01)	0.43	0.45	(0.02)
Diluted	0.21	0.22	(0.01)	0.43	0.44	(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.

Per Unit Amounts

In our calculations of FFO 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 and EUPP. In our calculation of FFO 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 2017**	Q2 2016	Change	**2017 YTD**	2016 YTD	Change
Weighted average number of units (1)	194,809	188,583	6,226	194,599	184,613	9,986
Dilutive impact of 5.7% convertible debentures (2)	-	4,682	(4,682)	-	8,469	(8,469)
Weighted average number of units, diluted	194,809	193,265	1,544	194,599	193,082	1,517

(1) Includes Class B Units, units issued under EUPP and DTUs.
(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2016; refer to the "Debt – Convertible Debentures" section of this MD&A for details.

Property Revenue

Property Revenue should not be construed as an alternative to other IFRS metrics. Property Revenue is measured at Chartwell's Interest and includes revenue derived from rents and services provided to our residents, commercial tenants and from contracts with various health authorities, government agencies and other third parties that are specific to operations of our properties. We believe that the use of Property Revenue combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

Direct Property Operating Expenses

Direct Property Operating Expenses should not be construed as an alternative to other IFRS metrics. Direct Property Operating Expenses is measured at Chartwell's Interest and includes expenses directly incurred in operation of our properties as well as an allocation of corporate overhead costs attributable to such property operations.

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 Direct Property 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.

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, properties that are undergoing a significant redevelopment or where we have added or expect to add significant capacity in the current year are excluded from the same property portfolio.

The following table summarizes the same property portfolio as at June 30, 2017:

	Properties	**Suites/Beds**	**Suites/Beds at Chartwell's Share of Ownership**
Retirement Operations	141	20,184	16,327
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	164	23,168	19,311

<u>Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI</u>

Key metrics used to evaluate same property performance are same property revenue, direct property operating expenses and 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 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.

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, interest and other 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 2017**	Q2 2016	**2017 YTD**	2016 YTD
Revenue	193,856	189,357	386,032	375,185
Equity-accounted investments	22,155	21,266	44,486	42,710
Total revenue at Chartwell's Interest	216,011	210,623	430,518	417,895

Estimated Development Costs

Estimated development costs should not be construed as an alternative to other IFRS metrics. Estimated development costs are measured at Chartwell's Interest and normally include land costs, hard and soft development costs, costs of furniture, fixtures and equipment, imputed cost of capital and lease-up losses incurred during pre-opening and initial property operations.

Expected Unlevered Yield

Expected unlevered yield should not be construed as an alternative to other IFRS metrics. Expected unlevered yield is defined as the ratio of the expected NOI of a development property in the first year it achieves a stabilized occupancy level, divided by total estimated development costs.

Chartwell's Interest

We account for certain investments in joint arrangements 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 to the following tables for a reconciliation of Chartwell's results of operations and statement of financial position.

The following table provides a reconciliation of the Q2 2017 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q2 2017 IFRS basis	Equity Accounted Investments (1)	Q2 2017 Chartwell's Interest (2)
Revenue			
Resident	181,705	30,830	212,535
Management and other fees	2,451	-	2,451
Lease revenue from joint ventures	8,699	(8,699)	-
Interest income	1,001	24	1,025
	193,856	22,155	216,011
Expenses			
Direct property operating	126,693	18,973	145,666
Depreciation of PP&E	34,902	1,888	36,790
Amortization of intangible assets	439	1	440
Share of net income from joint ventures	(904)	904	-
G&A	10,121	-	10,121
Other expense/(income)	553	(6)	547
Finance costs	17,614	553	18,167
Changes in fair value of financial instruments and foreign exchange loss/(gain)	(1,765)	(158)	(1,923)
Income before income taxes	6,203	-	6,203
Income tax expense/(benefit):			
Deferred	106	-	106
	106	-	106
Net income from continuing operations	6,309	-	6,309
Total comprehensive income	6,309	-	6,309

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the Q2 2016 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	Q2 2016 IFRS basis	Equity Accounted Investments (1)	Q2 2016 Chartwell's Interest (2)
Revenue			
Resident	177,719	29,690	207,409
Management and other fees	2,156	-	2,156
Lease revenue from joint ventures	8,446	(8,446)	-
Interest income	1,036	22	1,058
	189,357	21,266	210,623
Expenses			
Direct property operating	122,959	18,131	141,090
Depreciation of PP&E	34,729	1,820	36,549
Amortization of intangible assets	292	4	296
Share of net income from joint ventures	(931)	931	-
G&A	9,126	-	9,126
Other expense/(income)	(3,393)	(112)	(3,505)
Finance costs	17,440	560	18,000
Changes in fair value of financial instruments and foreign exchange loss/(gain)	5,546	(68)	5,478
Net income from continuing operations	3,589	-	3,589
Net income from discontinued operations	3,596	-	3,596
Total comprehensive income	7,185	-	7,185

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

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

The following table provides a reconciliation of the 2017 YTD Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2017 YTD IFRS basis	Equity Accounted Investments (1)	2017 YTD Chartwell's Interest (2)
Revenue			
Resident	361,984	61,664	423,648
Management and other fees	4,730	-	4,730
Lease revenue from joint ventures	17,228	(17,228)	-
Interest income	2,090	50	2,140
	386,032	44,486	430,518
Expenses			
Direct property operating	252,636	37,778	290,414
Depreciation of PP&E	72,480	3,940	76,420
Amortization of intangible assets	936	5	941
Share of net income from joint ventures	(1,440)	1,440	-
G&A	20,526	-	20,526
Other expense/(income)	1,924	(5)	1,919
Finance costs	34,198	1,107	35,305
Changes in fair value of financial instruments and foreign exchange loss	2,736	221	2,957
Income before income taxes	2,036	-	2,036
Income tax expense/(benefit)			
Deferred	106	-	106
	106	-	106
Net income from continuing operations	2,142	-	2,142
Total comprehensive income	2,142	-	2,142

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(2) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2016 YTD Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s, unaudited)	2016 YTD IFRS basis	Equity Accounted Investments (1)	2016 YTD Chartwell's Interest (2)
Revenue			
Resident	352,040	59,410	411,450
Management and other fees	4,073	-	4,073
Lease revenue from joint ventures	16,746	(16,746)	-
Interest income	2,326	46	2,372
	375,185	42,710	417,895
Expenses			
Direct property operating	244,167	36,698	280,865
Depreciation of PP&E	69,674	3,864	73,538
Amortization of intangible assets	592	8	600
Share of net income from joint ventures	(1,103)	1,103	-
G&A	17,347	-	17,347
Other expense/(income)	1,029	(118)	911
Finance costs	35,566	1,276	36,842
Changes in fair value of financial instruments and foreign exchange loss	23,874	(121)	23,753
Net loss from continuing operations	(15,961)	-	(15,961)
Net income from discontinued operations	3,274	-	3,274
Total comprehensive loss	(12,687)	-	(12,687)

(1) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.
(2) 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, 2017 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s)	June 30, 2017 IFRS basis	Equity Accounted Investments (1)	June 30, 2017 Chartwell's Interest (2)
Assets			
Current assets:			
Cash and cash equivalents	39,225	6,044	45,269
Trade and other receivables	12,734	850	13,584
Capital funding receivable	5,820	-	5,820
Other assets	134,973	3,305	138,278
Total current assets	192,752	10,199	202,951
Non-current assets:			
Other assets	2,765	-	2,765
Loans receivable	9,071	-	9,071
Capital funding receivable	51,561	-	51,561
Investment in joint ventures	36,146	(36,146)	-
Intangible assets	56,658	21	56,679
PP&E	2,571,719	106,141	2,677,860
Total non-current assets	2,727,920	70,016	2,797,936
Total assets	2,920,672	80,215	3,000,887
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	101,791	2,544	104,335
Distributions payable	9,319	-	9,319
Mortgages payable	157,733	8,296	166,029
Total current liabilities	268,843	10,840	279,683
Non-current liabilities:			
Mortgages payable	1,511,664	69,375	1,581,039
Credit Facilities	126,000	-	126,000
Series A Debentures	198,909	-	198,909
Class B Units	25,635	-	25,635
Deferred tax liabilities	1,412	-	1,412
Deferred consideration on business combinations	1,694	-	1,694
Total non-current liabilities	1,865,314	69,375	1,934,689
Total liabilities	2,134,157	80,215	2,214,372
Unitholders' equity	786,515	-	786,515
Total liabilities and unitholders' equity	2,920,672	80,215	3,000,887

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

(2) 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, 2016 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

($000s)	December 31, 2016 IFRS basis	Equity Accounted Investments (1)	December 31, 2016 Chartwell's Interest (2)
Assets			
Current assets:			
Cash and cash equivalents	30,050	8,238	38,288
Trade and other receivables	18,339	179	18,518
Capital funding receivable	5,663	-	5,663
Other assets	14,900	3,880	18,780
Total current assets	68,952	12,297	81,249
Non-current assets:			
Other assets	3,449	-	3,449
Loans receivable	10,528	-	10,528
Capital funding receivable	54,510	-	54,510
Investment in joint ventures	30,822	(30,822)	-
Intangible assets	57,598	28	57,626
PP&E	2,570,848	100,399	2,671,247
Total non-current assets	2,727,755	69,605	2,797,360
Total assets	2,796,707	81,902	2,878,609
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	121,870	4,100	125,970
Distributions payable	9,046	-	9,046
Mortgages payable	143,695	320	144,015
Total current liabilities	274,611	4,420	279,031
Non-current liabilities:			
Mortgages payable	1,498,077	77,482	1,575,559
Credit Facilities	172,000	-	172,000
Class B Units	23,871	-	23,871
Deferred tax liabilities	1,518	-	1,518
Deferred consideration on business combinations	1,647	-	1,647
Total non-current liabilities	1,697,113	77,482	1,774,595
Total liabilities	1,971,724	81,902	2,053,626
Unitholders' equity	824,983	-	824,983
Total liabilities and unitholders' equity	2,796,707	81,902	2,878,609

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

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

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Financial Statements, our 2016 MD&A as well as in our 2016 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 2017 YTD.

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 & 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, 2017. 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 & 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.

From April 1, 2017 to June 30, 2017, we continued the phase-in implementation of our new Human Capital Management System. We have considered the corresponding control risks and have performed procedures to obtain reasonable assurance on the design and operation of internal controls over financial reporting that are new or are significantly modified.

There were no changes in our internal controls over financial reporting that occurred during the period from April 1, 2017 to June 30, 2017, that have materially affected or are reasonably likely to materially affect our internal control 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”, “scheduled”, “estimates”, “intends”, “anticipates”, “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 and other 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;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- 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; and
- our ability to realize benefits on technology investments.

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this 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. 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 23, 2017, and our 2016 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 follows:

The Ontario government recently released legislative proposals to introduce amendments to Ontario's employment and labour laws. Similarly, the Alberta government has recently enacted a number of amendments to Alberta's employment and labour laws. These changes and proposed changes are expected to affect the labour costs of many employers in Ontario and Alberta, including Chartwell. We are assessing the operational and financial impact to Chartwell of these changes and proposed changes. There is no certainty that some or any of the Ontario proposals will be enacted.