



CHARTwell
retirement residences

making people's
lives **BETTER**



Second Quarter Report | June 30, 2016
MANAGEMENT'S DISCUSSION & ANALYSIS

Q2



MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the Three and Six Months Ended June 30, 2016

Contents

BUSINESS OVERVIEW	5	FINANCIAL POSITION	21
BUSINESS STRATEGY	7	LIQUIDITY AND CAPITAL	
2016 OUTLOOK	9	COMMITMENTS.....	22
SIGNIFICANT EVENTS.....	9	Liquidity.....	22
JOINT ARRANGEMENTS.....	11	Debt Strategy	25
CONSOLIDATED RESULTS OF		Capital Investments	27
OPERATIONS	12	Contractual Obligations and Guarantees	29
Highlights.....	12	Cash Flow Analysis.....	29
Same Property Portfolio Highlights	14	Distributions	29
Summary of Net Operating Income	15	SUMMARY OF SELECT FINANCIAL	
Management Fee Revenue.....	16	INFORMATION.....	31
Interest on Loans Receivable	16	Quarterly Financial Information.....	31
General, Administrative and Trust Expenses...16		DISCONTINUED OPERATIONS.....	32
Finance Costs	17	NON-GAAP MEASURES	34
Other Income/(Expense)	17	CRITICAL ACCOUNTING POLICIES AND	
Other Items.....	18	ESTIMATES	48
SUMMARY OF RESULTS OF OPERATIONS		CONTROLS AND PROCEDURES	48
BY SEGMENT	19	FORWARD-LOOKING INFORMATION AND	
Canadian Retirement Operations	19	RISKS AND UNCERTAINTIES.....	49
Canadian Long Term Care Operations.....	20		

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, 2016. This MD&A should be read in conjunction with Chartwell's unaudited, condensed consolidated interim financial statements for the three and six months ended June 30, 2016, and the notes thereto (the "Financial Statements,") the audited consolidated financial statements for the year ended December 31, 2015 and the notes thereto (the "2015 Financial Statements") and the annual Management's Discussion and Analysis for the year ended December 31, 2015 (the "2015 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, 2015, 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 4, 2016.

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; "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 2016 and 2016 YTD are in comparison to results from Q2 2015 and 2015 YTD, respectively.

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

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

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

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

Business Overview

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

Our Continuum of Care:

- Independent living (“IL”) - Age-qualified 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; and
- to attract and retain employees who care about making a difference in our residents’ lives.

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at June 30, 2016:

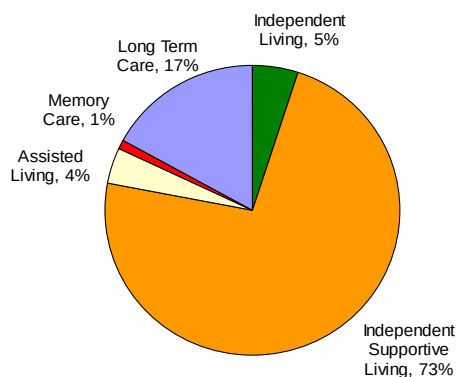
	Canadian Retirement Operations		Canadian Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	108	13,414	24	3,133	132	16,547
Partially Owned – operating ⁽²⁾	46	8,224	-	-	46	8,224
Total Owned	154	21,638	24	3,133	178	24,771
Managed Communities	4	852	4	608	8	1,460
Total	158	22,490	28	3,741	186	26,231

(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.

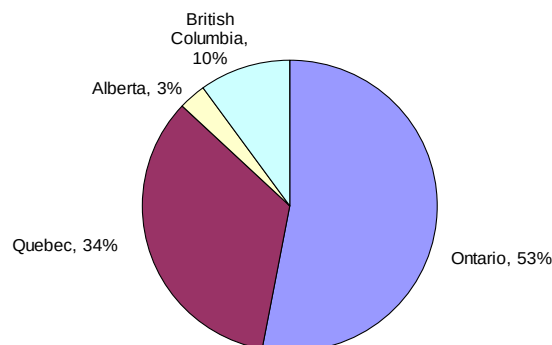
(2) We have a 50% ownership interest in these communities (7,867 suites) with the exception of three retirement communities (357 suites) and one medical office building in which we have an 85% ownership interest.

**Composition of Portfolio of Owned Suites
at Chartwell's Share of Ownership Interest, at June 30, 2016 by:**

Level of Care



Geographic Location



Business Strategy

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

Grow core property portfolio contribution by:

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase 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	- Improved brand awareness and online and social media strategies continue to drive initial contacts and personal visits. - Same property NOI ⁽¹⁾ increased \$4.2 million or 8.4% in Q2 2016 and \$8.3 million or 8.6% in 2016 YTD. - Same property occupancy improved to 93.4% in Q2 2016, compared to 91.8% in Q2 2015, with all operating platforms posting strong occupancy gains.
Maintain a strong financial position	- At June 30, 2016, we had cash on hand ⁽²⁾ of \$8.0 million and \$73.9 million of available borrowing capacity under our credit facilities. - Interest Coverage Ratio ⁽¹⁾ increased to 3.4 in Q2 2016 compared to 2.6 in Q2 2015. - Net Debt to Adjusted EBITDA Ratio ⁽¹⁾ was 7.2 at June 30, 2016 compared to 6.4 at June 30, 2015. - Indebtedness Ratio ⁽¹⁾ was 48.7% at June 30, 2016 compared to 49.7% at December 31, 2015. - Redeemed the 5.7% Convertible Debentures through the issuance of Trust Units.
Improve quality and efficiency of our corporate support services	- Established internal business support services centre "At Your Service" to improve information systems and business process support to our operating teams. - Commenced the implementation of a Human Capital Management system.
Build value of our real estate portfolio	- Completed four acquisitions and announced one acquisition for a total of \$211.7 million. - Work continues on our development pipeline of 2,129 suites with two projects now complete, six projects in construction, and four projects in pre-development.

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

(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$3.8 million. Refer to the "Joint Arrangements" section of this MD&A for details.

(3) Includes projects by Batimo Inc.

(4) Excluding accounting adjustments, deferred and contingent future consideration.

2016 Outlook

Our 2015 MD&A contains a detailed discussion of our 2016 Outlook. There were no significant changes in Q2 2016.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2015 MD&A. There were no significant changes to date, except as follows:

Acquisitions

On March 15, 2016, we acquired a 100% interest in the 105-suite Duke of Devonshire Retirement Residence located in Ottawa, Ontario (rebranded as 'Chartwell Duke of Devonshire Retirement Residence' post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was \$63.7 million. The purchase price was settled by the assumption of a \$33.4 million mortgage bearing interest at 4.41% and maturing on September 1, 2024, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of \$2.5 million with respect to the assumed mortgage.

On April 21, 2016, we acquired from our joint-venture partner all outstanding shares of a corporation that owns a 50% interest in the 97-suite Chartwell Kamloops Retirement Residence ("Kamloops") located in Kamloops, British Columbia. The purchase price was \$5.9 million, representing the agreed upon value of the 50% interest in Kamloops of \$11.1 million, net of the company's share of the mortgage debt of \$5.2 million. The assumed mortgage bears interest at 3.95% and matures on October 1, 2019. We recorded a mortgage mark-to-market adjustment of \$0.2 million, goodwill of \$1.0 million and a deferred tax liability of \$1.5 million in connection with this transaction.

On May 2, 2016, we acquired a 100% interest in the 109-suite Wedgewood Retirement Resort in Brockville, Ontario (rebranded as 'Chartwell Wedgewood Retirement Residence' post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was \$37.1 million. The purchase price was settled by the assumption of a \$19.8 million mortgage bearing interest at 4.29% and maturing on April 1, 2017, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of \$0.3 million with respect to the assumed mortgage.

On June 2, 2016, we acquired a 100% interest in the 127-suite Lord Lansdowne Retirement Residence located in Ottawa, Ontario (rebranded as 'Chartwell Lord Lansdowne Retirement Residence' post acquisition). The purchase price before closing costs and mortgage mark-to-market adjustment was \$68.4 million. The purchase price was settled by the assumption of a \$22.1 million mortgage bearing interest at 4.56% and maturing on March 1, 2020, with the balance settled in cash. We recorded a mortgage mark-to-market adjustment of \$2.0 million with respect to the assumed mortgage.

On July 28, 2016, we announced a definitive agreement to acquire the 121-suite Tiffin House Retirement Residence located in Midland, Ontario (to be rebranded as 'Chartwell Tiffin Retirement Residence' post acquisition). The purchase price before closing costs is \$31.5 million and is expected to be settled in cash. The closing of this transaction is expected to take place on September 1, 2016.

Dispositions

On May 3, 2016, we notified residents of Chartwell Castel Royal résidence pour retraites, a 250-suite retirement residence in Montreal, Quebec, that we will be ceasing operations of the property effective May 2017.

On June 27, 2016, we completed the sale of three non-core retirement residences in Quebec. Mortgages totalling \$17.9 million bearing interest at the weighted average rate of 3.99% were assumed by the purchaser on closing. Under the terms of the transaction, \$1.7 million will be paid to the purchaser upon satisfaction of certain conditions subsequent to closing.

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 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, 2016 ⁽²⁾ (\$millions)	Actual/Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield ⁽³⁾
Chartwell Waterford Retirement Residence	Oakville, ON	128	ISL / MC	In construction	43.6	3.7	Q3 2017	Q3 2019	8.3%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	In construction	38.4	3.5	Q4 2017	Q4 2019	7.7%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	LTC	In construction	27.5	7.5	Q2 2017	Q2 2017	8.8%
Chartwell Bankside Apartments	Kitchener, ON	58	IL	Pre-development	17.0	0.2	Q1 2018	Q2 2019	7.8%
The Sumach by Chartwell ⁽⁴⁾	Toronto, ON	332	IL	In construction	45.4	7.1	Q2 2018	Q2 2020	6.9%
Chartwell Meadowbrook Village	Lively, ON	55	IL / ISL	Pre-development	17.4	0.2	Q2 2018	Q2 2019	8.9%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL / MC	Pre-development	45.4	4.0	Q3 2018	Q4 2020	7.2%
		951			234.7	26.2			
Projects by Batimo: ⁽⁵⁾									
Chartwell Le Teasdale ⁽⁶⁾	Terrebonne, QC	343	ISL / AL	Completed	N/A	N/A	Q2 2016	Q4 2016	N/A
Chartwell Les Monarques Phase II	Ste. Eustache, QC	98	AL	Completed	N/A	N/A	Q3 2016	Q3 2018	N/A
Chartwell L'Unique Phase III ⁽⁷⁾	Ste. Eustache, QC	163	ISL	In construction	N/A	N/A	Q1 2017	Q3 2018	N/A
Chartwell Le Prescott	Vaudreuil, QC	290	ISL	In construction	N/A	N/A	Q2 2017	Q4 2018	N/A
Chartwell Le Montcalm ⁽⁸⁾	Candiac, QC	284	ISL	Pre-development	N/A	N/A	Q4 2017	Q2 2019	N/A
		1,178							
		2,129							

(1) Non-GAAP; reported at Chartwell's Interest; includes imputed cost of capital and lease-up losses.

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

(3) Non-GAAP; defined as first year stabilized NOI divided by development costs.

(4) Chartwell owns a 45% interest in this project.

(5) Chartwell manages pre-opening and lease-up of these Batimo projects and expects to acquire an 85% interest in these projects upon stabilization.

(6) Chartwell advanced a mezzanine loan of \$5.9 million on this project.

(7) Chartwell advanced a \$2.7 million mezzanine loan on this project on July 5, 2016.

(8) Chartwell expects to advance a \$5.4 million mezzanine loan on this project.

In 2016 YTD, we also acquired land for development in Gatineau, Quebec, for \$8.5 million.

Redemption of 5.7% Convertible Debentures

As more fully described in the “Debt Strategy – Convertible Debentures” section of this MD&A, we redeemed our 5.7% Convertible Debentures on May 16, 2016. This early redemption is expected to allow us to finance our planned acquisitions and development activities with lower-cost debt without materially increasing our pre-redemption overall debt leverage.

Capital Funding Receivable

In Q1 2016, we received notices of increases in capital funding on three redeveloped LTC properties from \$15.48 per bed per day to \$18.83 per bed per day, retroactive to the date of completion. As a result, we recognized an additional capital funding receivable of \$5.0 million with a corresponding reduction in cost of property, plant and equipment (“PP&E”). In Q1 2016, \$0.9 million of this additional capital funding was collected.

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	7,363	50%	Line-by-line
Chartwell-Welltower Operator ⁽¹⁾	Same as above	Same as above	50%	Equity
Batimo	4	357	85%	Line-by-line
Oakville	1	147	50%	Equity
Constantia	1	121	50%	Equity
Riverside	1	138	50%	Line-by-line
Churchill	1	98	50%	Line-by-line
Clair Hills ⁽²⁾	1	120	Refer to note ⁽²⁾	Equity
Oak Ridges ⁽²⁾	1	129	Refer to note ⁽²⁾	Equity
The Sumach	1	332	45%	Line-by-line

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

(2) Chartwell owns 100% of Class C units of these limited partnerships. Certain affiliates of the vendors own 100% of Class R units.

On April 21, 2016, we acquired the remaining 50% interest in Kamloops. Prior to this acquisition, we accounted for Kamloops using the line-by-line method.

During Q2 2016, we entered into a new joint arrangement with Welltower and Daniels Corporation (“Daniels”) to develop The Sumach by Chartwell (“The Sumach”), a 332-suite apartment building in Toronto, Ontario. Welltower and Chartwell each own a 45% interest and Daniels owns a 10% interest. The Sumach is accounted for on a line-by-line basis.

Throughout this document, amounts reported at ‘Financial Statement basis’ are prepared in accordance with IFRS, and amounts reported at ‘Chartwell’s Interest,’ a non-GAAP measure, represent Chartwell’s proportionate share of interests in our entire portfolio of investments excluding discontinued operations. Refer to the “Non-GAAP Measures – Chartwell’s Interest” section of this MD&A for a detailed description of this measure and reconciliations of Chartwell’s Interests to Financial Statement basis of presentation.

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

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Resident revenue ⁽¹⁾	207,409	180,995	26,414	411,450	360,010	51,440
Weighted average occupancy rate - same property portfolio ⁽²⁾	93.4%	91.8%	1.6pp	93.5%	91.8%	1.7pp
Same property NOI ⁽³⁾	53,554	49,394	4,160	105,565	97,226	8,339
AFFO - continuing operations ⁽⁴⁾	39,809	25,903	13,906	78,286	49,190	29,096
AFFO per unit diluted - continuing operations ⁽⁵⁾	0.21	0.15	0.06	0.42	0.28	0.14
Total AFFO ⁽⁴⁾	39,809	34,152	5,657	78,286	65,488	12,798
Total AFFO per unit diluted ⁽⁵⁾	0.21	0.19	0.02	0.42	0.36	0.06
FFO - continuing operations ⁽⁶⁾	42,304	28,477	13,827	82,648	54,260	28,388
FFO per unit diluted - continuing operations ⁽⁵⁾	0.22	0.16	0.06	0.44	0.31	0.13
Total FFO ⁽⁶⁾	42,304	37,679	4,625	82,648	72,274	10,374
Total FFO per unit diluted ⁽⁵⁾	0.22	0.21	0.01	0.44	0.40	0.04
Distributions declared ⁽⁷⁾	26,564	24,500	2,064	51,468	48,615	2,853
Distributions declared per unit ⁽⁵⁾	0.14	0.14	-	0.28	0.27	0.01
Distributions declared as a percentage of total AFFO ⁽⁸⁾	66.7%	71.7%	(5.0pp)	65.7%	74.2%	(8.5pp)
Net income/(loss) - continuing operations	3,589	28,956	(25,367)	(15,961)	17,810	(33,771)
Net income/(loss)	7,185	355,310	(348,125)	(12,687)	366,439	(379,126)

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$177.7 million in Q2 2016 and \$352.0 million in 2016 YTD (\$155.1 million in Q2 2015 and \$308.0 million in 2015 YTD.) Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

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

(4) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.

(5) 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.

(6) 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.

(7) Non-GAAP; includes distributions declared on Trust Units, Class B Units of Chartwell Master Care LP ("Class B Units") and Deferred Trust Units ("DTUs").

(8) Non-GAAP; refer to the "Non-GAAP Measures – Distributions Declared as a Percentage of Total AFFO" section of this MD&A for details of this calculation.

For Q2 2016, AFFO from continuing operations was \$39.8 million or \$0.21 per unit diluted, a 53.7% increase from \$25.9 million or \$0.15 per unit diluted in Q2 2015. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$14.6 million consisting of a \$4.2 million increase in same property NOI and a \$10.4 million contribution from acquisitions and developments;
- higher NOI guarantees of \$0.7 million; and
- lower interest costs of \$0.3 million, due to lower interest cost in our same property portfolio and redemption of our convertible debentures, partially offset by interest costs incurred to fund acquisitions;

partially offset by:

- higher general, administrative and Trust ("G&A") expenses of \$1.6 million, primarily due to higher staffing costs incurred to support newly acquired properties and higher cost of unit-based compensation resulting from the appreciation in value of our Trust Units; and
- other items combined of \$0.1 million.

For 2016 YTD, AFFO from continuing operations was \$78.3 million or \$0.42 per unit diluted, a 59.2% increase from \$49.2 million or \$0.28 per unit diluted in 2015 YTD. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$29.0 million consisting of a \$8.3 million increase in same property NOI and a \$20.7 million contribution from acquisitions and developments;
- higher NOI guarantees of \$1.2 million;
- higher capital funding subsidy receipts of \$1.1 million primarily due to retroactive funding adjustments for three redeveloped LTC properties; and
- other items combined of \$0.4 million;

partially offset by:

- higher G&A expenses of \$1.2 million;
- higher interest costs of \$0.4 million; and
- higher capital maintenance reserve of \$1.0 million primarily due to growth in resident revenues.

Total AFFO increased \$5.7 million or 16.6% in Q2 2016 and increased \$12.8 million or 19.5% in 2016 YTD.

For Q2 2016, FFO from continuing operations was \$42.3 million or \$0.22 per unit diluted compared to \$28.5 million or \$0.16 per unit diluted in Q2 2015. For 2016 YTD, FFO from continuing operations was \$82.6 million or \$0.44 per unit diluted compared to \$54.3 million or \$0.31 per unit diluted in 2015 YTD. Total FFO increased \$4.6 million or \$0.01 per unit diluted in Q2 2016 and increased \$10.4 million or \$0.04 per unit diluted in 2016 YTD.

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

In Q2 2016, net income from continuing operations was \$3.6 million compared to net income from continuing operations of \$29.0 million in Q2 2015. For 2016 YTD, net loss from continuing operations was \$16.0 million compared to net income from continuing operations of \$17.8 million in 2015 YTD. In addition to the items noted in the discussion of AFFO and FFO above, net income from continuing operations was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, changes in fair value of financial instruments, asset impairment provisions, gains on sale of assets and remeasurements of previously-held interests in joint arrangements as a result of step acquisitions.

For Q2 2016, net income was \$7.2 million compared to net income of \$355.3 million in Q2 2015. For 2016 YTD, net loss was \$12.7 million compared to net income of \$366.4 million in 2015 YTD. In addition to the items noted in the discussion of net income from continuing operations, net income was affected by the results of discontinued operations which is comprised of the results of operations of the U.S. Portfolio.

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

Same Property Portfolio Highlights

(\$000s, except occupancy rates)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Canadian retirement:						
NOI ⁽¹⁾	46,041	42,119	3,922	91,521	83,507	8,014
Occupancy	92.3%	90.3%	2.0pp	92.4%	90.4%	2.0pp
Canadian LTC:						
NOI ⁽¹⁾	7,513	7,275	238	14,044	13,719	325
Occupancy	98.8%	98.9%	(0.1pp)	98.7%	98.4%	0.3pp
Combined:						
NOI ⁽¹⁾⁽²⁾	53,554	49,394	4,160	105,565	97,226	8,339
Occupancy	93.4%	91.8%	1.6pp	93.5%	91.8%	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.

In Q2 2016, combined same property occupancy was 93.4% compared to 91.8% in Q2 2015, and same property NOI increased \$4.2 million or 8.4% as follows:

- In our Canadian retirement portfolio, same property NOI increased 9.3%. The increase was primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, lower marketing, utilities and insurance expenses, which was partially offset by higher staffing costs incurred to improve services delivered to our residents, as well as higher food, supplies and administrative expenses primarily related to occupancy growth. In Q2 2016, occupancy increased 2.0 percentage points to 92.3%.
- In our Canadian LTC portfolio, same property NOI increased 3.3%, primarily due to higher preferred accommodation revenues partially offset by timing of other expenses. Occupancy remained high at 98.8% compared to 98.9% in Q2 2015.

For 2016 YTD, combined same property occupancy was 93.5% compared to 91.8% in 2015 YTD, and same property NOI increased \$8.3 million or 8.6% as follows:

- In our Canadian retirement portfolio, same property NOI increased 9.6%. The increase was primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, lower utilities and insurance expenses, which was partially offset by higher staffing costs incurred to improve services delivered to our residents, as well as higher food, supply and property tax expenses. Occupancy increased to 92.4% from 90.4% in 2015 YTD.
- In our Canadian LTC portfolio, same property NOI increased 2.4%, primarily due to higher preferred accommodation revenues partially offset by timing of other expenses. Occupancy increased to 98.7% compared to 98.4% in 2015 YTD.

Summary of Net Operating Income

(\$000s, except occupancy rates)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Resident Revenue						
Same property ⁽¹⁾⁽²⁾	175,342	167,993	7,349	349,759	334,427	15,332
Acquisitions and other ⁽¹⁾⁽²⁾	32,067	13,002	19,065	61,691	25,583	36,108
	207,409	180,995	26,414	411,450	360,010	51,440
Less: Share of resident revenue from joint ventures	29,690	25,914	3,776	59,410	52,018	7,392
Total resident revenue	177,719	155,081	22,638	352,040	307,992	44,048
Direct Operating Expenses						
Same property ⁽¹⁾⁽²⁾	121,788	118,599	3,189	244,194	237,201	6,993
Acquisitions and other ⁽¹⁾⁽²⁾	19,302	10,669	8,633	36,671	21,258	15,413
	141,090	129,268	11,822	280,865	258,459	22,406
Less: Share of direct operating expenses from joint ventures	18,131	16,432	1,699	36,698	32,988	3,710
Total direct operating expenses	122,959	112,836	10,123	244,167	225,471	18,696
Net Operating Income						
Same property ⁽¹⁾⁽²⁾	53,554	49,394	4,160	105,565	97,226	8,339
Acquisitions and other ⁽¹⁾⁽²⁾	12,765	2,333	10,432	25,020	4,325	20,695
	66,319	51,727	14,592	130,585	101,551	29,034
Less: Share of net operating income from joint ventures	11,559	9,482	2,077	22,712	19,030	3,682
Total net operating income	54,760	42,245	12,515	107,873	82,521	25,352
Weighted average occupancy rate - same property portfolio	93.4%	91.8%	1.6pp	93.5%	91.8%	1.7pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	92.4%	90.2%	2.2pp	92.5%	90.3%	2.2pp

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

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue increased 14.6% in Q2 2016. The changes in resident revenue were primarily due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments.

Same property resident revenue increased \$7.3 million or 4.4% in Q2 2016, primarily as a result of higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Total direct operating expenses increased 9.0% in Q2 2016. The changes in direct operating expenses were due to higher expenses in our same property portfolio and acquisitions and developments.

Same property direct operating expenses increased \$3.2 million or 2.7% in Q2 2016, primarily due to higher staffing costs incurred to improve services delivered to our residents.

Management Fee Revenue

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Welltower	1,614	1,515	99	3,122	2,934	188
Other	542	474	68	951	979	(28)
Total management fee revenue	2,156	1,989	167	4,073	3,913	160

Management fee revenue increased in Q2 2016 and 2016 YTD primarily due to growth in revenues of managed properties.

Loans Receivable and Related Interest Income

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Interest on loans receivable	347	223	124	704	426	278

Interest on loans receivable increased primarily due to higher loan balances outstanding in Q2 2016 and in 2016 YTD.

At June 30, 2016, mezzanine and other loans of \$8.3 million were due from the entities affiliated with Batimo. These loans are secured by various charges against related real estate, guaranteed by Batimo and contain certain cross-collateralization and cross-default provisions.

In Q2 2016, we collected vendor take back ("VTB") loans in the amount of \$6.0 million. At June 30, 2016, VTBs totalling \$1.5 million remained outstanding. The loan is secured by a subordinated charge against one property and is guaranteed by the purchasers.

Loans receivable bear interest at rates ranging from 8.0% to 10.0%.

General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
G&A expenses	(9,126)	(7,519)	(1,607)	(17,347)	(16,187)	(1,160)
G&A expenses as a percentage of revenue ⁽¹⁾	4.3%	4.1%	0.2pp	4.2%	4.4%	(0.2pp)

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

G&A expenses increased \$1.6 million or 21.4% in Q2 2016, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and developments as well as higher unit-based compensation costs of \$0.8 million primarily resulting from the appreciation in value of our Trust Units.

In 2016 YTD, G&A expenses increased \$1.2 million or 7.2%, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and developments, and higher unit-based compensation costs resulting from the appreciation in value of our Trust Units, partially offset by reversal of accruals for employee benefit costs of \$0.3 million on settlement of a related claim in Q1 2016.

G&A expenses, as a percentage of revenue at Chartwell's Interest, were 4.3% in Q2 2016 and 4.2% in 2016 YTD, compared to 4.1% in Q2 2015 and 4.4% in 2015 YTD.

Finance Costs

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Mortgages and loans payable ⁽¹⁾						
Same property ⁽²⁾	12,280	14,268	(1,988)	26,005	28,686	(2,681)
Acquisitions and other ⁽²⁾	4,239	1,543	2,696	7,302	3,031	4,271
	16,519	15,811	708	33,307	31,717	1,590
Convertible debentures	701	1,917	(1,216)	2,611	3,814	(1,203)
Credit Facility and other interest expense	1,000	812	188	1,280	1,298	(18)
	18,220	18,540	(320)	37,198	36,829	369
Amortization of financing costs and debt mark-to-market adjustments ⁽¹⁾	(263)	92	(355)	(504)	121	(625)
	17,957	18,632	(675)	36,694	36,950	(256)
Interest capitalized to properties under development	(175)	(35)	(140)	(298)	(114)	(184)
Distributions on Class B Units recorded as interest expense	218	227	(9)	446	449	(3)
	18,000	18,824	(824)	36,842	37,285	(443)
Less: Share of finance costs from joint ventures	560	314	246	1,276	662	614
Total finance costs	17,440	18,510	(1,070)	35,566	36,623	(1,057)

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

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Interest expense on the same property portfolio decreased \$2.0 million in Q2 2016 and decreased \$2.7 million in 2016 YTD, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Interest expense on the acquisitions and other portfolio increased \$2.7 million in Q2 2016 and \$4.3 million in 2016 YTD primarily due to the high level of acquisition activity in 2015 and 2016 YTD.

Credit Facility and other interest expense increased \$0.2 million in Q2 2016, primarily due to higher balances outstanding on our Credit Facility partially offset by reduced interest rates achieved on renewal of our Credit Facility in June 2015.

Amortization of financing costs and debt mark-to-market adjustments decreased \$0.4 million in Q2 2016 and decreased \$0.6 million in 2016 YTD, primarily as a result of amortization of debt mark-to-market adjustments on certain 2015 and 2016 YTD acquisitions.

Other Income/(Expense)

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	(2,917)	(2,008)	(909)	(4,552)	(1,963)	(2,589)
Interest and other income ⁽¹⁾	711	876	(165)	1,668	1,785	(117)
Gain on remeasurement to fair value of existing interest	5,187	10,452	(5,265)	5,187	10,452	(5,265)
Gain on sale of assets ⁽¹⁾	1,333	4,455	(3,122)	1,651	4,657	(3,006)
Impairment of PP&E	-	-	-	(3,000)	-	(3,000)
Property lease expense ⁽¹⁾	(98)	(101)	3	(197)	(204)	7
	4,216	13,674	(9,458)	757	14,727	(13,970)
Less: Share of other income/(expense) from joint ventures	134	25	109	164	39	125
Total other income/(expense)	4,082	13,649	(9,567)	593	14,688	(14,095)

(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.

Interest and other income primarily relates to interest on capital funding receivable.

As described in the “Significant Events” section of this MD&A, the Kamloops acquisition was completed in steps and we remeasured our original 50% interest in this property to fair value. This remeasurement resulted in an increase in value of \$5.2 million which has been recognized as a gain in other income/expense in the consolidated statements of comprehensive income/loss.

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 as described in the “Significant Events” section of this MD&A. Gain on sale of assets in Q2 2015 and 2015 YTD includes \$3.3 million related to the sale of one other non-core property in Quebec.

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

Other Items

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Depreciation of PP&E ⁽¹⁾	(36,549)	(24,232)	(12,317)	(73,538)	(53,115)	(20,423)
Amortization of intangible assets ⁽¹⁾	(296)	(159)	(137)	(600)	(367)	(233)
Changes in fair value of financial instruments and foreign exchange (loss)/gain ⁽¹⁾	(5,478)	12,866	(18,344)	(23,753)	4,936	(28,689)
Deferred income tax (expense)/benefit	-	(789)	789	-	(789)	789

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

Depreciation of PP&E increased \$12.3 million in Q2 2016 and increased \$20.4 million in 2016 YTD, primarily due to depreciation of properties acquired in 2015 and 2016 YTD.

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

The increase in fair value adjustments in Q2 2016 and 2016 YTD is primarily due to the increases in recorded liabilities for Trust Units acquired under the Executive Unit Purchase Plan (“EUPP”), Class B Units and DTUs, as a result of the increased trading prices of our Trust Units. The market price of our Trust Units on June 30, 2016, was \$15.78 per unit compared to \$11.50 per unit on June 30, 2015.

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 2016.

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

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

Canadian Retirement Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	90	771	9,148	427	124	483	10,953
50% owned	40	499	6,651	376	63	-	7,589
Total same property owned	130	1,270	15,799	803	187	483	18,542
Acquisitions, Development & Other							
100% owned – operating	18	-	2,182	257	22	-	2,461
Partially owned – operating ⁽¹⁾	6	73	464	98	-	-	635
Total acquisitions, development & other	24	73	2,646	355	22	-	3,096
Total	154	1,343	18,445	1,158	209	483	21,638

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

In Q1 2016, we removed 45 LTC beds at one of our retirement communities from our available suite count. These beds were operated on an interim basis under a short-term government contract that has now expired. We intend to redevelop this section of our property to offer ISL accommodation.

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

(\$000s, except occupancy rates)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Revenue						
Same property	120,143	114,172	5,971	239,811	227,628	12,183
Acquisitions, development and other	32,067	13,002	19,065	61,691	25,583	36,108
Total revenue	152,210	127,174	25,036	301,502	253,211	48,291
Direct Operating Expenses						
Same property	74,102	72,053	2,049	148,290	144,121	4,169
Acquisitions, development and other	19,302	10,669	8,633	36,671	21,258	15,413
Total direct operating expenses	93,404	82,722	10,682	184,961	165,379	19,582
Net Operating Income						
Same property	46,041	42,119	3,922	91,521	83,507	8,014
Acquisitions, development and other	12,765	2,333	10,432	25,020	4,325	20,695
Total net operating income	58,806	44,452	14,354	116,541	87,832	28,709
Weighted average occupancy rate - same property	92.3%	90.3%	2.0pp	92.4%	90.4%	2.0pp
Weighted average occupancy rate – total portfolio	91.3%	88.6%	2.7pp	91.4%	88.8%	2.6pp

Same property revenue increased 5.2% in Q2 2016, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 2.8% in Q2 2016, primarily due to higher staffing costs related to occupancy increases, higher food, supply and administrative expenses, partially offset by lower marketing, utilities and insurance expenses.

Same property NOI increased \$3.9 million or 9.3% in Q2 2016 as follows:

- Our Ontario retirement platform same property NOI increased \$2.0 million or 11.3%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing costs, partially offset by higher staffing and food expenses.
- Our Western Canada platform same property NOI increased \$0.8 million or 7.7%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing expenses.
- Our Quebec platform same property NOI increased \$1.1 million or 7.9%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities, marketing and insurance expenses, partially offset by higher staffing and food expenses.

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

	Q2 2016	Q2 2015	Change	Q1 2016	Change
Ontario	88.5%	86.6%	1.9pp	89.3%	(0.8pp)
Western Canada	95.0%	92.4%	2.6pp	94.8%	0.2pp
Quebec	94.4%	92.6%	1.8pp	94.5%	(0.1pp)
Total	92.3%	90.3%	2.0pp	92.6%	(0.3pp)

In Q2 2016, occupancies in our Canadian retirement same property portfolio were 92.3%, a 2.0 percentage point increase from Q2 2015 and a 0.3 percentage point decrease from Q1 2016. While all regional platforms are posting strong year-over-year occupancy gains, the decline in occupancy from Q1 2016 is primarily due to seasonality, particularly in our Ontario same property portfolio.

Canadian Long Term Care Operations

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

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	24	-	133	-	-	3,000	3,133
Total	24	-	133	-	-	3,000	3,133

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

(\$000s, except occupancy rates)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Same property revenue	55,199	53,821	1,378	109,948	106,799	3,149
Same property direct operating expenses	47,686	46,546	1,140	95,904	93,080	2,824
Total net operating income	7,513	7,275	238	14,044	13,719	325
Weighted average occupancy rate – same property	98.8%	98.9%	(0.1pp)	98.7%	98.4%	0.3pp

Same property NOI increased 3.3% in Q2 2016, primarily due to higher preferred accommodation revenues, partially offset by timing of other expenses.

Weighted average occupancies in the same property portfolio remained high at 98.8% in Q2 2016 compared to 98.9% in Q2 2015.

Financial Position

Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for June 30, 2016 compared to December 31, 2015.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	147.3	Total assets increased primarily due to acquisitions and capital additions to properties, partially offset by depreciation and amortization charges and property dispositions.
Total liabilities	27.3	Total liabilities increased primarily due to liabilities related to newly-acquired properties, new mortgage financings and credit line draws, partially offset by redemption of convertible debentures.
Equity	120.0	The increase in equity is primarily due to conversion of convertible debentures, partially offset by net loss in the period and distributions on Trust Units.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2016 YTD:

	Trust Units	Trust Units under EUPP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2015	176,401,201	1,553,634	1,641,323	823,166	180,419,324
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	700,758	-	-	-	700,758
Trust Units issued under the Executive Unit Purchase Plan ("EUPP")	-	79,454	-	-	79,454
Trust Units surrendered for cancellation under EUPP	-	(6,645)	-	-	(6,645)
Trust Units released on settlement of EUPP receivable	48,396	(48,396)	-	-	-
Issuance of Class B Units	-	-	-	-	-
Exchange of Class B Units into Trust Units	10,650	-	(10,650)	-	-
DTUs issued	-	-	-	38,333	38,333
DTU distributions	-	-	-	17,168	17,168
Trust Units issued on conversion of convertible debentures	12,157,779	-	-	-	12,157,779
Balance June 30, 2016	189,318,784	1,578,047	1,630,673	878,667	193,406,171

Liquidity and Capital Commitments

Liquidity

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

Our principal source of liquidity is cash flow from operations. At June 30, 2016, we had cash on hand in the amount of \$8.0 million, including cash from Chartwell's Interest in equity-accounted investments of \$3.8 million. In order to provide for our operating and capital requirements, we have put in place credit facilities and arranged mortgage debt financing. At times we may also raise funds through the capital markets.

Our credit facility with a syndicate of Canadian chartered banks ("Credit Facility 1") has a maximum committed capacity of \$200.0 million and matures on June 1, 2018. Based on the level of our Indebtedness Ratio, the amounts drawn on Credit Facility 1 bear interest ranging from the bank's prime rate ("Prime") plus 0.65% to 0.80%, or the applicable banker's acceptance rate ("BA") plus 1.65% to 1.80%. It is secured by first and second charges on certain of our properties and includes minimum equity requirements and covenants which include limitations on the amounts of distributions that can be paid to unitholders. At June 30, 2016, based on security provided, the maximum available borrowing capacity under Credit Facility 1 was \$200.0 million, of which \$5.8 million was utilized to support outstanding letters of credit and \$164.0 million was drawn, leaving available borrowing capacity at \$30.2 million. Based on our Indebtedness Ratio as of June 30, 2016, the interest rate applicable to the amounts drawn on Credit Facility 1 in Q3 2016 will be equal to Prime plus 0.65% or BA plus 1.65%.

On June 17, 2016, we arranged a new \$50.0 million credit facility with a Canadian chartered bank ("Credit Facility 2") maturing on June 1, 2018. Under the new terms, Credit Facility 2 bears interest ranging from Prime plus 0.60% to 0.75% or BA plus 1.60% to 1.75% depending on the ratio of our debt to adjusted gross book value of assets ("D/GBV"), as defined in the related credit agreement. Additional terms include minimum equity requirements and covenants requiring limitations on the amount of cash distributions that can be paid to unitholders. Credit Facility 2 is secured by second charges on specific properties. At June 30, 2016, no amount had been drawn and the maximum available borrowing capacity under Credit Facility 2 was \$43.7 million based on the security provided. Based on our Indebtedness Ratio as of June 30, 2016, the interest rate applicable to the amounts drawn on Credit Facility 2 in Q3 2016 will be equal to Prime plus 0.60% or BA plus 1.60%.

Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 65% of adjusted gross book value of assets ("GBV") ("Indebtedness Ratio").

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

(\$000s)	June 30, 2016	December 31, 2015
Mortgages payable (contractual amount)	1,666,809	1,610,183
Credit Facility	164,000	32,000
Convertible debentures (at face value)	-	134,851
Total Indebtedness	1,830,809	1,777,034
Total assets	2,824,121	2,680,917
Accumulated depreciation and amortization	620,373	581,340
Cumulative transaction costs on business combinations	37,159	32,723
Change in GBV on transition to IFRS	276,153	278,581
GBV of assets	3,757,806	3,573,561
Less: Assets financed by deferred purchase consideration on acquisition of properties	1,506	1,506
GBV of assets (net of deferred consideration)	3,756,300	3,572,055
Indebtedness Ratio including convertible debentures ^{(1) (2)}	48.7%	49.7%

(1) Excludes assets held for sale and related liabilities.

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

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

Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

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

(\$000s, except Interest Coverage Ratio)	Q2 2016	Q2 2015	2016 YTD	2015 YTD
Interest expense including capitalized interest	17,957	18,632	36,694	36,950
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ⁽¹⁾	61,804	48,444	123,058	93,766
Interest Coverage Ratio ⁽²⁾	3.44	2.60	3.35	2.54
Target Interest Coverage Ratio	>1.65			

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

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

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

(\$000s)	Q2 2016	Q2 2015	2016 YTD	2015 YTD
Net income/(loss) for the period	3,589	28,956	(15,961)	17,810
<i>Add (Subtract):</i>				
Current income tax expense/(benefit)	-	-	-	-
Impairment provision	-	-	3,000	-
Gain on remeasure to fair value of existing interest	(5,187)	(10,452)	(5,187)	(10,452)
Deferred income tax	-	789	-	789
Transaction costs arising on business acquisitions and dispositions	2,917	2,008	4,552	1,963
Finance costs	18,000	18,824	36,842	37,285
Depreciation of PP&E	36,549	24,232	73,538	53,115
Amortization of intangible assets	296	159	600	367
(Gain)/loss on sale of assets	(1,333)	(4,455)	(1,651)	(4,657)
Changes in fair value of financial instruments and foreign exchange loss/(gain)	5,478	(12,866)	23,753	(4,936)
Principal portion of capital funding receivable from Health Authorities	1,495	1,249	3,572	2,482
Adjusted EBITDA ⁽¹⁾	61,804	48,444	123,058	93,766

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

Net Debt to Adjusted EBITDA Ratio:

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

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at June 30, 2016 and 2015, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	June 30, 2016	June 30, 2015
Trailing 12-month Adjusted EBITDA ⁽¹⁾	235,803	193,737
<i>Add (Subtract):</i>		
Adjustment for part-year acquisitions	16,440	3,672
Adjustment for part-year dispositions	(809)	(481)
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	251,434	196,928
Indebtedness ⁽²⁾	1,830,809	1,692,120
Less: Cash and cash equivalents	8,033	423,747
Net debt	1,822,776	1,268,373
Net Debt to Adjusted EBITDA Ratio ⁽³⁾	7.2	6.4

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

(2) Excludes indebtedness related to assets held for sale.

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

The following table presents the calculation of trailing 12-month Adjusted EBITDA as of June 30, 2016 at Chartwell's Interest:

(\$000s)	2015	Subtract: 2015 YTD	Add: 2016 YTD	12 months ended June 30, 2016
Adjusted EBITDA ⁽¹⁾	206,511	93,766	123,058	235,803

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

Debt Strategy

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

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

Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest.

The following table summarizes the changes in our mortgage portfolio in 2016 YTD:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Balance at December 31, 2015	1,610,183	7.7	4.13%	58%
Matured in the period	(74,353)	-	4.91%	29%
Assumed by purchasers on property dispositions	(17,872)	6.2	3.99%	100%
Assumed on acquisition of properties	80,510	4.8	4.39%	27%
New mortgage financing	94,581	3.4	2.62%	26%
Regular amortizing principal repayments	(26,241)	n/a	n/a	n/a
Balance at June 30, 2016	1,666,809	7.2	3.97%	56%

New mortgage financing consists of bridge loans on certain non-stabilized properties of \$64.0 million, top-up financings on two newly acquired properties of \$15.0 million with maturities being co-terminous with the existing mortgages, and one new CMHC-insured mortgage of \$15.6 million with a ten-year term to maturity.

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

	At June 30, 2016			At December 31, 2015
	Fixed Rate	Variable Rate	Total	Total
Amount (\$000s)	1,619,780	47,029	1,666,809	1,610,183
Weighted average interest rate	3.99%	3.06%	3.97%	4.13%
Average term to maturity (years)	7.3	4.1	7.2	7.7

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of June 30, 2016, approximately 56% 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. On December 5, 2015, we entered into a large borrower agreement ("LBA") with CMHC. We expect the LBA will allow continued access to CMHC-insured financing and will streamline the CMHC approval process of new mortgages. The LBA provides for, among other things, the cross-collateralization of mortgage loans for our largest CMHC-insured lenders, and contains certain financial and operating covenants.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at June 30, 2016:

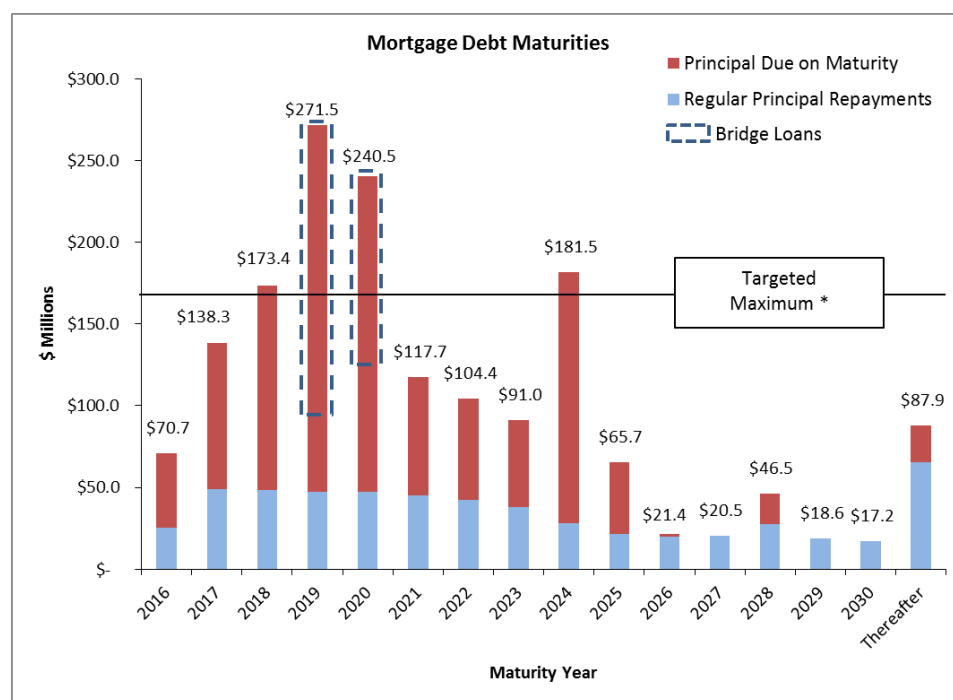
(\$000s, except number of properties)	Number of Properties	June 30, 2016	Number of Properties	December 31, 2015
Mortgages on properties under construction	-	-	-	-
Mortgages on non-stabilized properties	3	23,882	9	162,835
Mortgages on stabilized properties	4	23,147	6	60,221
Total	7	47,029	15	223,056

Our variable-rate mortgages primarily relate to properties that have not yet achieved stabilized occupancy levels, including our development and redevelopment projects, and our newly-acquired properties. In 2015, we began refinancing some of these mortgages with variable-rate bridge loans with four-year terms in conjunction with interest rate swap arrangements of various durations, to effectively convert such loans to a fixed rate. Upon stabilization of these properties, we expect to refinance this debt with fixed-rate, CMHC-insured debt. These arrangements provide us with the certainty of fixed-rate financing, while allowing us to retain the flexibility to refinance at or before maturity in a cost-effective manner should we determine it to be prudent to do so.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at June 30, 2016:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
Year					
2016	25,544	45,139	70,683	4%	4.02%
2017	48,935	89,335	138,270	8%	4.23%
2018	48,300	125,075	173,375	10%	3.87%
2019	47,320	224,147	271,467	16%	2.74%
2020	47,051	193,496	240,547	14%	3.24%
2021	45,389	72,347	117,736	7%	4.47%
2022	42,193	62,200	104,393	6%	3.54%
2023	38,211	52,760	90,971	6%	4.32%
2024	28,421	153,055	181,476	11%	3.99%
2025	21,366	44,335	65,701	4%	2.87%
2026	19,878	1,528	21,406	1%	5.13%
2027	20,503	-	20,503	1%	-
2028	27,608	18,925	46,533	3%	4.20%
2029	18,580	-	18,580	1%	-
2030	17,225	-	17,225	1%	3.78%
Thereafter	65,690	22,253	87,943	7%	4.18%
Total	562,214	1,104,595	1,666,809	100%	
Mark-to-market adjustments arising on acquisition			22,085		
Less: Financing costs			(19,923)		
Total Mortgage Debt			1,668,971		

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



* 10% of total mortgage debt = \$166.7 million

Included in 2019 and 2020 maturities are \$176.1 million and \$120.9 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.

Convertible Debentures

On April 12, 2016, we issued a redemption notice to the holders of the 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.

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 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.

The following table summarizes our capital investments in 2016 YTD:

(\$000s)	2016 YTD	2015 YTD	Change
Building improvements	5,409	3,982	1,427
Mechanical and electrical ("M&E")	2,580	1,718	862
Suite improvements and upgrades	5,350	4,027	1,323
Interior improvements and upgrades	1,024	685	339
Furniture, fixtures and equipment ("FF&E")	2,373	2,757	(384)
Communications and information systems	3,807	1,189	2,618
Total – same property	20,543	14,358	6,185
Add: Acquisitions and other	2,388	1,000	1,388
Total capital investments ⁽¹⁾⁽²⁾	22,931	15,358	7,573

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 2016 YTD, we completed nine major building improvement projects valued over \$50,000 each, totalling \$2.0 million (12 projects in 2015 YTD for a total of \$2.4 million).

In addition, this category includes the acquisitions of six condominium suites in two of our properties in British Columbia totalling \$1.6 million (seven condominium suites in 2015 YTD 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 2016 YTD, we completed 10 major M&E projects valued over \$50,000 each, totalling \$0.8 million (four projects in 2015 YTD for a total of \$0.3 million).

Suite Improvements and Upgrades:

This category includes capital investments in resident suites. Over the past two 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 many cases, in addition to regular painting, resident suite upgrades include flooring upgrades and full renovations of bathroom and kitchen facilities.

In 2016 YTD, 37 properties were subject to strategic suite upgrade programs (36 properties in 2015 YTD).

Interior Improvements and Upgrades:

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

In 2016 YTD, 29 properties were subject to strategic common area upgrade programs, the majority of which are in progress (22 properties in 2015 YTD).

FF&E:

This category primarily includes investments in resident area and model suite furnishings, 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 telecom 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 2015 MD&A. There were no significant changes in our contractual obligations and guarantees in Q2 2016 which are outside the ordinary course of business.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q2 2016 and Q2 2015 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	27.4	Change in cash flows from operating activities is primarily due to lower interest payments and changes in working capital balances.
Financing activities	25.3	Change in cash flows from financing activities is primarily due to higher utilization of our credit facility, partially offset by higher mortgage principal repayments.
Investing activities	(457.1)	Change in cash flows from investing activities is primarily due to the proceeds of disposal of PP&E in the prior year, higher capital investments in our existing properties and acquisitions in 2016 YTD.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. On February 26, 2015, the Trustees approved a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to \$0.045900 per unit (\$0.550800 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015. On February 25, 2016, the Trustees approved a further 2.0% increase in our monthly cash distributions to \$0.046818 per unit (\$0.561816 on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the

DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2016 YTD, our average DRIP participation was 18.5% compared to 18.6% participation in 2015 YTD.

The following table summarizes distributions made in Q2 2016, 2016 YTD, 2015 and 2014:

(\$000s)	Q2 2016	2016 YTD	2015	2014
Distributions declared on Trust Units	26,346	51,022	96,553	94,103
Distributions on Class B Units	218	446	956	889
Distributions reinvested under DRIP	(4,812)	(9,252)	(18,574)	(17,408)
Distributions applied against EUPP receivable	(224)	(438)	(889)	(1,009)
Distributions paid or payable in cash	21,528	41,778	78,046	76,575

The following table summarizes distributions declared on Trust Units in Q2 2016, 2016 YTD, 2015 and 2014 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q2 2016	2016 YTD	2015	2014
Cash flows from operating activities	37,833	54,512	115,821	123,375
Net income/(loss) from continuing operations	3,589	(15,961)	12,139	(26,030)
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	11,487	3,490	19,268	29,272
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(22,757)	(66,983)	(84,414)	(120,133)

We distributed cash to our unitholders while recording a net loss from continuing operations in 2016 YTD and 2014. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2016		2015				2014 ⁽¹⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	188,668	184,895	184,050	173,088	165,545	163,188	167,521	162,781
Direct operating expenses	(122,959)	(121,208)	(122,502)	(115,562)	(112,836)	(112,635)	(114,964)	(109,731)
G&A expenses	(9,126)	(8,221)	(7,581)	(7,003)	(7,519)	(8,668)	(6,950)	(6,442)
Income before the understated ⁽²⁾	56,583	55,466	53,967	50,523	45,190	41,885	45,607	46,608
Finance costs	(17,440)	(18,126)	(18,068)	(17,386)	(18,510)	(18,118)	(18,425)	(18,570)
Other income/(expense)	4,082	(3,489)	(4,640)	(7,379)	13,649	1,039	755	5,289
Depreciation and amortization	(35,021)	(35,245)	(34,396)	(28,164)	(23,621)	(28,236)	(34,071)	(29,474)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	(5,546)	(18,328)	(6,451)	(863)	12,840	(7,817)	(7,530)	(661)
Share of net income/(loss) from joint ventures	931	172	(1,445)	966	197	96	349	787
Current income tax (expense)/benefit	-	-	1,456	(2,796)	-	-	600	(198)
Deferred income tax (expense)/benefit	-	-	8,216	789	(789)	-	-	-
Net income/(loss) for the period – continuing operations	3,589	(19,550)	(1,361)	(4,310)	28,956	(11,151)	(12,715)	3,781
Net income/(loss) for the period	7,185	(19,872)	562	(4,768)	355,310	11,128	(16,280)	31,846
FFO – continuing operations	42,304	40,344	38,484	35,559	28,477	25,778	29,405	30,616
Diluted FFO – continuing operations	43,005	42,254	40,422	37,497	30,394	27,675	31,345	32,555
FFO per unit diluted – continuing operations	0.22	0.22	0.21	0.20	0.16	0.15	0.17	0.17
Total FFO ⁽³⁾	42,304	40,344	38,484	35,559	37,679	34,596	36,173	37,364
Total Diluted FFO ⁽³⁾	43,005	42,254	40,422	37,497	39,596	36,493	38,113	39,303
Total FFO per unit diluted ⁽³⁾	0.22	0.22	0.21	0.20	0.21	0.19	0.20	0.21
AFFO – continuing operations	39,809	38,477	36,252	33,047	25,903	23,282	26,627	27,920
Diluted AFFO – continuing operations	40,510	40,387	38,190	34,985	27,820	25,179	28,567	29,860
AFFO per unit diluted – continuing operations	0.21	0.21	0.20	0.18	0.15	0.13	0.15	0.16
Total AFFO ⁽³⁾	39,809	38,477	36,252	33,047	34,152	31,337	32,667	33,885
Total Diluted AFFO ⁽³⁾	40,510	40,387	38,190	34,985	36,069	33,234	34,607	35,825
Total AFFO per unit diluted ⁽³⁾	0.21	0.21	0.20	0.18	0.19	0.17	0.18	0.19

(1) 2014 amounts have been restated to adjust for discontinued operations.

(2) Refers to income before finance costs, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and foreign exchange gains/(losses), share of net income/(loss) from joint ventures, and income tax.

(3) Non-GAAP; includes the reversal of provision for impairment associated with the mezzanine loan portfolio of \$1.2 million in Q1 2014.

Our results for the past eight quarters have primarily been affected by acquisitions and dispositions; refer to the “Significant Events” section of this MD&A and in our 2015 MD&A for details and changes in fair value of financial instruments and foreign exchange gains and losses.

Discontinued Operations

On June 30, 2015, we completed the sale of the remainder of the U.S. Portfolio. The results of the U.S. Portfolio are presented as discontinued operations in this MD&A.

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

(U.S.\$000s, except as noted otherwise)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Revenue	-	46,130	(46,130)	-	92,395	(92,395)
Operating expenses	-	29,813	(29,813)	-	65,366	(65,366)
NOI	-	16,317	(16,317)	-	27,029	(27,029)
Foreign exchange in CDN	-	3,740	(3,740)	-	6,262	(6,262)
Total NOI in CDN	-	20,057	(20,057)	-	33,291	(33,291)

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

	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Weighted average exchange rate for U.S.\$1.00 to CDN	1.29	1.23	0.06	1.33	1.24	0.09

Other Items Related to Discontinued Operations

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Finance costs	-	(8,287)	8,287	-	(16,939)	16,939
Other income/(expense)	(22)	442,064	(442,086)	133	431,127	(430,994)
Depreciation of PP&E	-	(4,437)	4,437	-	(13,870)	13,870
Amortization of intangible assets	-	-	-	-	(255)	255
Changes in fair value of financial instruments and foreign exchange (loss)/gain and adjustment on mortgages	-	-	-	-	(26,827)	26,827
Current income tax (expense)/benefit	3,618	(57,799)	54,181	3,141	(57,897)	54,756
Deferred income tax expense	-	(65,244)	65,244	-	-	-

In Q2 2016, we recorded a current income tax recovery of \$3.6 million (\$3.1 million for 2016 YTD), which is primarily related to the changes in estimate of the U.S. taxes payable on the disposition of our U.S. Portfolio.

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

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Net income/(loss) for the period	3,596	326,354	(322,758)	3,274	348,629	(345,355)
<i>Add (Subtract):</i>						
Depreciation of PP&E ⁽¹⁾	-	4,437	(4,437)	-	13,870	(13,870)
Amortization of limited life intangible assets ⁽¹⁾	-	-	-	-	255	(255)
(Gain)/loss on sale of assets ⁽¹⁾	22	(445,839)	445,861	(133)	(445,782)	445,649
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	-	3,061	(3,061)	-	13,285	(13,285)
Tax on gains/losses on disposal of properties	(3,618)	57,723	(61,341)	(3,141)	57,729	(60,870)
Deferred income tax	-	65,244	(65,244)	-	-	-
Adjustment for property tax accounted for under IFRIC 21	-	(1,778)	1,778	-	3,201	(3,201)
Changes in fair value of financial instruments and foreign exchange gains/losses	-	-	-	-	26,827	(26,827)
FFO ⁽¹⁾⁽²⁾	-	9,202	(9,202)	-	18,014	(18,014)

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

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

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

(\$000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
FFO ⁽¹⁾	-	9,202	(9,202)	-	18,014	(18,014)
<i>Add (Subtract):</i>						
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	-	264	(264)	-	772	(772)
Financing cost reserve ⁽⁴⁾	-	(83)	83	-	(206)	206
AFFO before capital maintenance reserve	-	9,383	(9,383)	-	18,580	(18,580)
Capital maintenance reserve - 2% of property revenue ⁽⁵⁾	-	(1,134)	1,134	-	(2,282)	2,282
AFFO ⁽⁶⁾	-	8,249	(8,249)	-	16,298	(16,298)

(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 Facility.

(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.

(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Investments" section of this MD&A for details of actual capital expenditures.

(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

Non-GAAP Measures

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

Funds from Operations

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

- Transaction costs related to the disposition of properties are added back in our FFO calculation.
- Realized foreign exchange gains resulting from conversion of the net proceeds of the sale of the U.S. Portfolio are deducted in our FFO calculation.

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

- Unrealized changes in the fair value of investment properties.
- 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.
- 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.
- Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
- Tax on profits or losses on disposals of properties.
- Deferred taxes.
- Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
- Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
- Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
- Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
- 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.
- Gain or loss on the sale of an investment in a foreign operation.
- Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- Bargain purchase or goodwill impairment.
- Effects of redeemable units classified as financial liabilities.
- Results of discontinued operations.
- Adjustments for equity accounted entities.
- Non-controlling interests in respect of the above.

T. Incremental leasing costs.

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

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

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

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

(\$000s, except per unit amounts)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Net income/(loss) from continuing operations	3,589	28,956	(25,367)	(15,961)	17,810	(33,771)
<i>Add (Subtract):</i>						
Depreciation of PP&E ⁽¹⁾	36,549	24,232	12,317	73,538	53,115	20,423
Amortization of limited life intangible assets ⁽¹⁾	296	159	137	600	367	233
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above ⁽¹⁾	(223)	(121)	(102)	(442)	(188)	(254)
Gain on sale of assets ⁽¹⁾	(1,333)	(4,455)	3,122	(1,651)	(4,657)	3,006
Gain on remeasure to fair value of existing interest	(5,187)	(10,452)	5,265	(5,187)	(10,452)	5,265
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	2,917	2,008	909	4,552	1,963	2,589
Deferred income tax	-	789	(789)	-	789	(789)
Distributions on Class B Units recorded as interest expense	218	227	(9)	446	449	(3)
Changes in fair value of financial instruments and foreign exchange gain/loss	5,478	(12,866)	18,344	23,753	(4,936)	28,689
Impairment provision	-	-	-	3,000	-	3,000
FFO - continuing operations ⁽¹⁾⁽²⁾	42,304	28,477	13,827	82,648	54,260	28,388
FFO - discontinued operations	-	9,202	(9,202)	-	18,014	(18,014)
Total FFO ⁽¹⁾⁽²⁾	42,304	37,679	4,625	82,648	72,274	10,374
FFO - continuing operations ⁽¹⁾⁽²⁾	42,304	28,477	13,827	82,648	54,260	28,388
Interest expense on 5.7% convertible debentures	701	1,917	(1,216)	2,611	3,814	(1,203)
Diluted FFO - continuing operations ⁽³⁾	43,005	30,394	12,611	85,259	58,074	27,185
FFO - discontinued operations	-	9,202	(9,202)	-	18,014	(18,014)
Total diluted FFO ⁽³⁾	43,005	39,596	3,409	85,259	76,088	9,171
FFO per unit – continuing operations ⁽⁴⁾						
Basic	0.22	0.16	0.06	0.45	0.31	0.14
Diluted	0.22	0.16	0.06	0.44	0.31	0.13
Total FFO per unit ⁽⁴⁾						
Basic	0.22	0.21	0.01	0.45	0.41	0.04
Diluted	0.22	0.21	0.01	0.44	0.40	0.04

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

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

(3) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.

Adjusted Funds from Operations

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

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

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

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

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

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

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

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

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

The following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
FFO - continuing operations ⁽¹⁾	42,304	28,477	13,827	82,648	54,260	28,388
<i>Add (Subtract):</i>						
Principal portion of capital subsidy receivable from Health Authorities	1,495	1,249	246	3,572	2,482	1,090
Amounts receivable under income guarantees	854	182	672	1,641	435	1,206
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	(370)	(60)	(310)	(696)	(138)	(558)
Financing cost reserve ⁽⁴⁾	(326)	(326)	-	(650)	(649)	(1)
AFFO before capital maintenance reserve	43,957	29,522	14,435	86,515	56,390	30,125
Capital maintenance reserve - 2% of property revenue - continuing operations ⁽⁵⁾	(4,148)	(3,619)	(529)	(8,229)	(7,200)	(1,029)
AFFO - continuing operations ⁽⁶⁾	39,809	25,903	13,906	78,286	49,190	29,096
AFFO - discontinued operations	-	8,249	(8,249)	-	16,298	(16,298)
Total AFFO ⁽⁶⁾	39,809	34,152	5,657	78,286	65,488	12,798
AFFO - continuing operations ⁽⁶⁾	39,809	25,903	13,906	78,286	49,190	29,096
Interest expense on 5.7% convertible debentures	701	1,917	(1,216)	2,611	3,814	(1,203)
Diluted AFFO - continuing operations ⁽⁷⁾	40,510	27,820	12,690	80,897	53,004	27,893
AFFO - discontinued operations	-	8,249	(8,249)	-	16,298	(16,298)
Total diluted AFFO	40,510	36,069	4,441	80,897	69,302	11,595
AFFO per unit - continuing operations ⁽⁸⁾						
Basic	0.21	0.15	0.06	0.42	0.28	0.14
Diluted	0.21	0.15	0.06	0.42	0.28	0.14
Total AFFO per unit ⁽⁸⁾						
Basic	0.21	0.19	0.02	0.42	0.37	0.05
Diluted	0.21	0.19	0.02	0.42	0.36	0.06

(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 Facility.

(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.

(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Investments" section of this MD&A for details of actual capital expenditures.

(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.

(8) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

Net Operating Income

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

Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units

issued under DTU, EUPP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

Weighted Average Number of Units

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

(000s)	Q2 2016	Q2 2015	Change	2016 YTD	2015 YTD	Change
Weighted average number of units ⁽¹⁾	188,583	178,097	10,486	184,613	177,875	6,738
Dilutive impact of 5.7% convertible debentures ⁽²⁾	4,682	12,264	(7,582)	8,469	12,267	(3,798)
Weighted average number of units, diluted	193,265	190,361	2,904	193,082	190,142	2,940

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

(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2106.

Same Property Performance

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

The following table summarizes the same property portfolio as at June 30, 2016:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Canadian Retirement Operations	130	18,542	14,748
Canadian Long Term Care Operations	24	3,133	3,133
Total same property portfolio	154	21,675	17,881

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

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

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We define same property NOI as the difference between same property revenue and same property direct operating expenses. We believe that the use of these metrics combined with primary IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

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

Indebtedness Ratio

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 65% of GBV. This metric is commonly used by the investment community together with the Interest Coverage Ratio and Net Debt to Adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, indebtedness includes

any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell's Interest.

Interest Coverage Ratio

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

Adjusted EBITDA

EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity's assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, foreign exchange gains/losses, the portion of property tax expense that is not recognized pro-rata under IFRIC 21 and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell's Interest.

Net Debt to Adjusted EBITDA Ratio

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

G&A Expenses as a Percentage of Revenue

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

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

(\$000s)	Q2 2016	Q2 2015	2016 YTD	2015 YTD
Revenue	188,668	165,545	373,563	328,733
Equity-accounted investments	21,244	17,662	42,664	35,616
Chartwell's Interest	209,912	183,207	416,227	364,349
Interest income	690	850	1,622	1,732
Equity-accounted investments	21	26	46	53
Chartwell's Interest	711	876	1,668	1,785
Total revenue at Chartwell's Interest	210,623	184,083	417,895	366,134

Distributions Declared as a Percentage of Total AFFO

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

Chartwell's Interest

On January 1, 2013, we changed our accounting policy for certain joint arrangements as required by IFRS 11 – Joint Arrangements. As a result, we no longer proportionately consolidate certain joint arrangements and now account for these investments using the equity method of accounting. All references to “Chartwell's Interest” refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio excluding discontinued operations, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the “Joint Arrangements” section of this MD&A for a discussion of the usefulness of this measure and 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 2016 Statement of Comprehensive Income (Loss) from a Financial Statements basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q2 2016 Financial Statements basis ⁽¹⁾	Equity Accounted Investments ⁽²⁾	Q2 2016 Chartwell's Interests ⁽³⁾
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 on loans receivable	347	-	347
	188,668	21,244	209,912
Expenses			
Direct operating	122,959	18,131	141,090
G&A	9,126	-	9,126
	132,085	18,131	150,216
Income before the undernoted	56,583	3,113	59,696
Finance costs	(17,440)	(560)	(18,000)
Other income/(expense)	4,082	134	4,216
Depreciation of PP&E	(34,729)	(1,820)	(36,549)
Amortization of intangible assets	(292)	(4)	(296)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(5,546)	68	(5,478)
Share of net loss from joint ventures	931	(931)	-
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) Prepared in accordance with IFRS.

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

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

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

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

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the 2016 YTD Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	2016 YTD per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	2016 YTD Chartwell's Interests ⁽³⁾
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 on loans receivable	704	-	704
	373,563	42,664	416,227
Expenses			
Direct operating	244,167	36,698	280,865
G&A	17,347	-	17,347
	261,514	36,698	298,212
Income before the undernoted	112,049	5,966	118,015
Finance costs	(35,566)	(1,276)	(36,842)
Other expense/(income)	593	164	757
Depreciation of PP&E	(69,674)	(3,864)	(73,538)
Amortization of intangible assets	(592)	(8)	(600)
Changes in fair value of financial instruments and unrealized foreign exchange losses/(gains)	(23,874)	121	(23,753)
Share of net income from joint ventures	1,103	(1,103)	-
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) Prepared in accordance with IFRS.

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

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

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

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

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the June 30, 2016 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	June 30, 2016 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	June 30, 2016 Chartwell's Interests ⁽³⁾
Assets			
Current assets:			
Cash and cash equivalents	4,251	3,782	8,033
Trade and other receivables	13,584	31	13,615
Capital funding receivable	5,511	-	5,511
Other assets	16,107	3,363	19,470
Total current assets	39,453	7,176	46,629
Non-current assets:			
Other assets	3,691	-	3,691
Loans receivable	9,747	-	9,747
Capital funding receivable	57,381	-	57,381
Investment in joint ventures	32,484	(32,484)	-
Intangible assets	57,591	25	57,616
PP&E	2,546,350	102,707	2,649,057
Total non-current assets	2,707,244	70,248	2,777,492
Total assets	2,746,697	77,424	2,824,121
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	104,316	(499)	103,817
Distributions payable	9,013	-	9,013
Mortgages payable	153,726	12,811	166,537
Total current liabilities	267,055	12,312	279,367
Non-current liabilities:			
Mortgages payable	1,437,321	65,112	1,502,433
Credit facilities	164,000	-	164,000
Class B Units	25,732	-	25,732
Deferred tax liabilities	1,518	-	1,518
Deferred consideration on business combinations	1,591	-	1,591
Total non-current liabilities	1,630,162	65,112	1,695,274
Total liabilities	1,897,217	77,424	1,974,641
Unitholders' equity	849,480	-	849,480
Total liabilities and unitholders' equity	2,746,697	77,424	2,824,121

(1) Prepared in accordance with IFRS.

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

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

The following table provides a reconciliation of the December 31, 2015 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2015 per Financial Statements ⁽¹⁾	Equity Accounted Investments ⁽²⁾	December 31, 2015 Chartwell's Interests ⁽³⁾
Assets			
Current assets:			
Cash and cash equivalents	3,002	5,852	8,854
Trade and other receivables	7,948	471	8,419
Capital funding receivable	5,243	-	5,243
Other assets	16,938	3,251	20,189
Total current assets	33,131	9,574	42,705
Non-current assets:			
Other assets	3,733	-	3,733
Loans receivable	15,764	-	15,764
Capital funding receivable	56,198	-	56,198
Investment in joint ventures	33,993	(33,993)	-
Intangible assets	57,202	27	57,229
PP&E	2,399,368	105,920	2,505,288
Total non-current assets	2,566,258	71,954	2,638,212
Total assets	2,599,389	81,528	2,680,917
Liabilities and Unitholders' Equity			
Current liabilities:			
Credit Facility	32,000	-	32,000
Accounts payable and other liabilities	114,036	3,498	117,534
Distributions payable	8,243	-	8,243
Mortgages payable	159,699	12,802	172,501
Total current liabilities	313,978	16,300	330,278
Non-current liabilities:			
Mortgages payable	1,371,659	65,228	1,436,887
Convertible debentures	161,754	-	161,754
Class B Units	20,943	-	20,943
Deferred consideration on business combinations	1,535	-	1,535
Total non-current liabilities	1,555,891	65,228	1,621,119
Total liabilities	1,869,869	81,528	1,951,397
Unitholders' equity	729,520	-	729,520
Total liabilities and unitholders' equity	2,599,389	81,528	2,680,917

(1) Prepared in accordance with IFRS.

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

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

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 2015 MD&A as well as in our 2015 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 2016 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 and Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at June 30, 2016. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes that occurred during the quarter ended June 30, 2016, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

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

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

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC; 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 forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a

complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

Risks and Uncertainties

Our AIF dated February 25, 2016 and our 2015 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.