



CHARTwell[®]
retirement residences

making people's
lives **BETTER**[®]



First Quarter Report | March 31, 2017
MANAGEMENT'S DISCUSSION & ANALYSIS

Q1



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

For the Three Months Ended March 31, 2017

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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 months ended March 31, 2017. This MD&A should be read in conjunction with Chartwell’s unaudited, interim condensed consolidated financial statements for the three months ended March 31, 2017, and the notes thereto (the “Financial Statements”), the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto (the “2016 Financial Statements”) and the annual Management’s Discussion and Analysis for the year ended December 31, 2016 (the “2016 MD&A”). This material is available on Chartwell’s website at www.chartwell.com. Additional information about Chartwell, including its Annual Information Form (“AIF”) for the year ended December 31, 2016, can be found on SEDAR at www.sedar.com.

The discussion and analysis in this MD&A is based on information available to management as of May 4, 2017.

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

In this document, “Q1” refers to the three-month period ended March 31; “Q2” refers to the three-month period ended June 30; “Q3” refers to the three-month period ended September 30; “Q4” refers to the three-month period ended December 31; “2017” refers to the calendar year 2017; “2016” refers to the calendar year 2016, “2015” refers to the calendar year 2015 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for Q1 2017 are in comparison to results from Q1 2016.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles (“GAAP”) such as Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”), Net Operating Income (“NOI”), “Property NOI,” “Property Revenue,” “Direct Property Operating Expenses,” “Same Property Performance,” “G&A Expenses as a percentage of Revenue,” “Interest Coverage Ratio,” “Adjusted Gross Book Value,” “Indebtedness Ratio,” “Adjusted EBITDA,” “Net Debt to Adjusted EBITDA Ratio,” “Estimated Development Costs,” “Expected Unlevered Yield,” “Chartwell’s Interest” and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the “Non-GAAP Measures”). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Our FFO definition is substantially consistent with the definition adopted by Real Property Association of Canada (“REALPAC”). Our AFFO definition differs from the recently-issued REALPAC guidance in that we include the principal portion of capital funding receivable, income guarantees, financing cost reserves and remove amortization of financing costs and debt mark-to-market adjustments in our AFFO calculations. We are currently reviewing the new REALPAC guidance and expect to adopt it by Q4 2017. Please refer to the “Non-GAAP Measures” section of this MD&A for details.

The results of operations of our United States Operations (the “U.S. Portfolio”), which we disposed of in 2015, are reported as discontinued operations throughout this MD&A.

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

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

Business Overview

Chartwell is an 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 March 31, 2017:

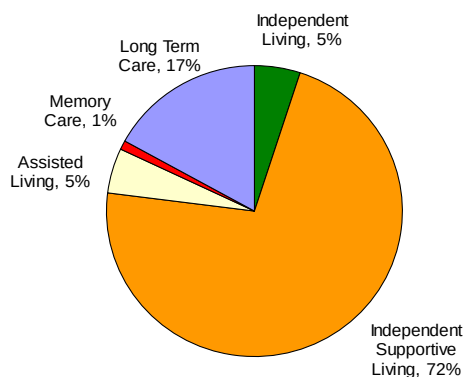
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	111	13,699	24	3,133	135	16,832
Partially Owned – operating ⁽²⁾	46	8,239	-	-	46	8,239
Total Owned	157	21,938	24	3,133	181	25,071
Managed Communities	5	928	4	608	9	1,536
Total	162	22,866	28	3,741	190	26,607

(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.

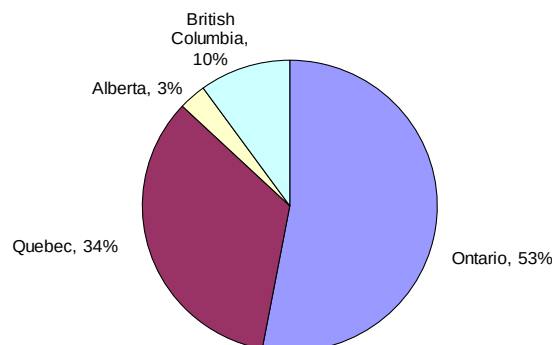
(2) We have a 50% ownership interest in these communities (7,880 suites) with the exception of three retirement communities (359 suites) and one medical office building in which we have an 85% ownership interest.

**Composition of Portfolio of Owned Suites/Beds
at Chartwell's Share of Ownership Interest, at March 31, 2017 by:**

Level of Care



Geographic Location



Business Strategy

Our business strategy is focused on providing exceptional services and quality care to our residents, which we believe will help us to achieve sustainable 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	• Our focus on enhancing resident experience is driving strong operating results. • Same property NOI ⁽¹⁾ increased \$2.2 million or 3.5% in Q1 2017. • Same property occupancy remained strong at 93.0% in Q1 2017.
Maintain a strong financial position	• At March 31, 2017, we had cash on hand ⁽²⁾ of \$56.2 million and \$24.8 million of available borrowing capacity under our Credit Facilities. • Interest Coverage Ratio ⁽³⁾ improved to 3.49 in Q1 2017 compared to 3.27 in Q1 2016. • Net Debt to Adjusted EBITDA Ratio ⁽³⁾ was 7.5 at March 31, 2017 compared to 7.7 at March 31, 2016. • Indebtedness Ratio ⁽³⁾ was 50.1% at March 31, 2017 compared to 48.9% at December 31, 2016.
Improve quality and efficiency of our corporate support services	• The second phase of implementation of our new Human Capital Management system is in progress. • We began the rollout of Project Welcome, which focuses on customer experience in a resident's first 90 days at Chartwell.
Build value of our real estate portfolio	• Completed two acquisitions for a total of \$28.9 million.⁽⁴⁾ • Work continues on our development pipeline of 2,925 suites with nine projects in construction and five projects in pre-development.⁽⁵⁾

(1) Non-GAAP; refer to the "Summary of Net Operating Income" and the "Non-GAAP Measures" sections of this MD&A.

(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$8.6 million. Refer to the "Joint Arrangements" section of this MD&A for details.

(3) Non-GAAP; refer to the "Liquidity and Capital Commitments" and the "Non-GAAP Measures" sections of this MD&A.

(4) Excluding accounting adjustments.

(5) Includes projects by Batimo and Signature Living.

2017 Outlook

Our 2016 MD&A contains a detailed discussion of our 2017 Outlook. There were no significant changes in Q1 2017 to our 2017 Outlook.

Significant Events

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

Development

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

In 2016 and in Q1 2017, Batimo Inc. (“Batimo”), in partnership with Chartwell, completed construction of the 343-suite Chartwell Le Teasdale Retirement Community in Terrebonne, Quebec, the 98-suite Chartwell Les Monarques Phase II Retirement Residence in Ste. Eustache, Quebec and the 163-suite Chartwell L’Unique Phase III Retirement Residence in Ste. Eustache, Quebec. Chartwell has provided a \$5.9 million mezzanine loan for Chartwell Le Teasdale, provided a \$2.7 million mezzanine loan for Chartwell L’Unique Phase III, manages the lease-up of these residences and expects to acquire an 85% interest in these properties.

In Q1 2017, we acquired a 4.66 acre parcel of land in Mississauga, Ontario for a purchase price of \$6.6 million. The purchase price was settled by the issuance of \$0.5 million of exchangeable Class B Units of Chartwell Master Care LP (“Class B Units”), with the remaining balance paid in cash. The land will be used to construct a 110,000 square foot office building to replace our current leased space. Development costs are expected to be \$47.3 million.

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 Mar. 31, 2017 ⁽²⁾ (\$millions)	Actual/Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield ⁽³⁾
Chartwell Waterford Retirement Residence	Oakville, ON	128	ISL / MC	Construction	40.3	14.9	Q3 2017	Q3 2019	8.3%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	IL	Construction	38.4	9.9	Q4 2017	Q4 2019	7.7%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	LTC	Construction	27.5	20.6	Q2 2017	Q2 2017	8.8%
Chartwell Bankside Retirement Apartments	Kitchener, ON	58	IL	Construction	18.6	2.5	Q2 2018	Q3 2019	7.3%
The Sumach by Chartwell ⁽⁴⁾	Toronto, ON	332	IL	Construction	45.4	10.6	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	5.2	Q3 2018	Q4 2020	7.2%
Chartwell Guildwood Retirement Residence ⁽⁵⁾	Scarborough, ON	170	ISL / MC	Pre-development	56.0	0.3	Q2 2019	Q4 2020	8.4%
		1,121			289.0	64.2			
Projects by Batimo ⁽⁶⁾									
Chartwell Le Prescott	Vaudreuil, QC	290	ISL	Construction	N/A	N/A	Q2 2017	Q4 2018	N/A
Chartwell Le Montcalm	Candiac, QC	283	ISL	Construction	N/A	N/A	Q4 2017	Q2 2019	N/A
Chartwell St. Gabriel	St. Hubert, QC	310	ISL / AL	Construction	N/A	N/A	Q2 2018	Q3 2019	N/A
Chartwell Greenfield Park	Longueuil, QC	346	ISL / AL	Pre-development	N/A	N/A	Q4 2018	Q2 2020	N/A
Chartwell Charlesbourg	Quebec City, QC	410	ISL / AL	Pre-development	N/A	N/A	Q1 2019	Q1 2021	N/A
		1,639							
Project by Signature Living									
Kingston Project ⁽⁷⁾	Kingston, ON	165	ISL / AL	Construction	33.0	6.8	Q2 2018	Q3 2021	7.0%
		2,925			322.0	71.0			

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

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

(3) Non-GAAP; refer to the "Non-GAAP Measures – Expected Unlevered Yield" section of this MD&A.

(4) Chartwell owns a 45% interest in this project and manages pre-opening and lease-up.

(5) Redevelopment of the existing 83-suite residence to a 170-suite residence. Chartwell owns a 50% interest in this project.

(6) Chartwell manages pre-opening and lease-up of these Batimo projects and has rights and obligations to acquire an 85% interest in these projects upon stabilization. N/A = not applicable to Chartwell as these projects are being developed by Batimo.

(7) The site includes excess land for potential development of 84 additional suites. Chartwell owns a 60% interest in this project and Signature Living and its affiliates own the remaining 40% interest and provide development and operations management services. Chartwell expects to acquire the remaining 40% interest upon stabilization.

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

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

(1) Numbers of potential suites to be developed are estimates and subject to change based on market conditions and municipal approval processes.

(2) At Chartwell's Interest.

(3) Leased lands.

(4) Potential redevelopment of the existing 247-suite residence to a 319-suite residence; acreage is for the entire site.

(5) Excludes \$0.6 million of land acquired to facilitate redevelopment of two LTC properties in Ontario.

Acquisitions

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

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

Dispositions

On May 3, 2016, we notified residents of Chartwell Castel Royal résidence pour retraités, a 250-suite retirement residence in Montreal, Quebec, that we would cease operations of the property effective May 2017. In Q1 2017, we entered into an agreement to sell the property. The sale price is \$23.5 million, of which \$2.5 million will be held in escrow for two years after closing to support purchaser's rental income and certain renovation costs. The assets and related liabilities have been classified as held for sale in our Financial Statements. This sale was completed on May 3, 2017.

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	7,376	50%	Line-by-line
Chartwell-Welltower Operator ⁽¹⁾	Same as above	Same as above	50%	Equity
Batimo	4	359	85%	Line-by-line
Chartwell Oakville Retirement Residence	1	147	50%	Equity
Chartwell Constantia Retirement Residence	1	121	50%	Equity
Riverside Retirement Residence	1	138	50%	Line-by-line
Churchill Retirement Residence	1	98	50%	Line-by-line
Clair Hills Retirement Residence ⁽²⁾	1	121	Refer to note ⁽²⁾	Equity
Oak Ridges Retirement Residence ⁽²⁾	1	129	Refer to note ⁽²⁾	Equity
The Sumach by Chartwell	1	332	45%	Line-by-line
Kingston Project	1	165	60%	Equity

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

(2) These properties were acquired in a limited partnership structure in which we own all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the partnership agreements, Class C units were entitled to quarterly distributions totalling \$4.8 million for 2016 and increase by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, we will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.

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

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

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

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q1 2017	Q1 2016	Change
Net loss - continuing operations	(4,167)	(19,550)	15,383
Total comprehensive loss	(4,167)	(19,872)	15,705
Resident revenue ⁽¹⁾	211,113	204,041	7,072
Weighted average occupancy rate - same property portfolio ⁽²⁾	93.0%	93.5%	(0.5pp)
Same property NOI ⁽³⁾	63,171	61,006	2,165
AFFO ⁽⁴⁾⁽⁵⁾	38,820	38,477	343
AFFO per unit diluted ⁽⁶⁾	0.20	0.21	(0.01)
FFO ⁽⁷⁾⁽⁵⁾	42,106	40,344	1,762
FFO per unit diluted ⁽⁶⁾	0.22	0.22	-
Distributions declared ⁽⁸⁾	27,521	24,904	2,617
Distributions declared per unit ⁽⁶⁾	0.14	0.14	-

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$180.3 million in Q1 2017 (\$174.3 million in Q1 2016). 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) Q1 2017 FFO and AFFO includes lease-up-losses related to our projects in development of \$1.4 million (Q1 2016 – Nil).

(6) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.

(7) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.

(8) Non-GAAP; includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").

Net Loss

In Q1 2017, net loss from continuing operations was \$4.2 million compared to \$19.6 million in Q1 2016. The decrease in net loss is primarily due to higher revenues, net of direct property operating and general, administrative and Trust ("G&A") expenses partially offset by higher depreciation and amortization expenses and lower revaluation charges on financial instruments, primarily due to the redemption of our convertible debentures in Q2 2016.

For Q1 2017, total comprehensive loss decreased \$15.7 million. In addition to the items discussed above total comprehensive loss for Q1 2016 included \$0.3 million loss from discontinued operations.

AFFO

For Q1 2017, AFFO was \$38.8 million or \$0.20 per unit diluted, compared to \$38.5 million or \$0.21 per unit diluted in Q1 2016. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$2.1 million consisting of a \$2.2 million increase in same property NOI and a \$0.1 million decrease in contribution from acquisitions and developments, which was primarily a result of \$1.4 million lease-up-losses related to our development projects;
- higher management fee income of \$0.4 million; and
- lower interest costs of \$1.3 million;

partially offset by:

- higher G&A expenses of \$2.2 million of which \$0.9 million relates to higher severance and recruitment expenses, and reversal of certain accruals in Q1 2016;
- lower capital funding subsidy receipts of \$0.8 million, as a result of retroactive funding adjustments received in Q1 2016; and
- lower amounts receivable under income guarantees of \$0.5 million.

FFO

For Q1 2017, FFO was \$42.1 million or \$0.22 per unit diluted compared to \$40.3 million or \$0.22 per unit diluted in Q1 2016.

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

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)	Q1 2017	Q1 2016	Change
Retirement portfolio:			
NOI ⁽¹⁾	56,903	54,655	2,248
Occupancy	92.1%	92.5%	(0.4pp)
LTC portfolio:			
NOI ⁽¹⁾	6,268	6,351	(83)
Occupancy	98.0%	98.7%	(0.7pp)
Combined:			
NOI ⁽¹⁾⁽²⁾	63,171	61,006	2,165
Occupancy	93.0%	93.5%	(0.5pp)

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

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

In Q1 2017, combined same property occupancy was 93.0% compared to 93.5% in Q1 2016, and same property NOI increased \$2.2 million or 3.5% as follows:

- In our retirement portfolio, same property NOI increased 4.1%. The increase was primarily due to regular annual rental rate increases in line with competitive market conditions and lower marketing expenses, partially offset by inflationary staffing costs as well as higher utilities, repairs and maintenance and administrative expenses. In Q1 2017, occupancy decreased 0.4 percentage points to 92.1% primarily due to increased resident turnover compared to Q1 2016.

- In our LTC portfolio, same property NOI decreased 1.3%, primarily due to lower ancillary services revenue and higher utilities expenses, partially offset by higher preferred accommodation revenue. In Q1 2017, occupancy was 98.0% compared to 98.7% in Q1 2016.

Summary of Net Operating Income

(\$000s, except occupancy rates)	Q1 2017	Q1 2016	Change
Resident Revenue			
Same property ⁽¹⁾⁽²⁾	195,450	191,671	3,779
Acquisitions and other ⁽¹⁾	15,663	12,370	3,293
	211,113	204,041	7,072
Less: Share of resident revenue from joint ventures	30,834	29,720	1,114
Total resident revenue	180,279	174,321	5,958
Direct Property Operating Expenses			
Same property ⁽¹⁾⁽²⁾	132,279	130,665	1,614
Acquisitions and other ⁽¹⁾	12,469	9,110	3,359
	144,748	139,775	4,973
Less: Share of direct property operating expenses from joint ventures	18,805	18,567	238
Total direct property operating expenses	125,943	121,208	4,735
Net Operating Income			
Same property ⁽¹⁾⁽²⁾	63,171	61,006	2,165
Acquisitions and other ⁽¹⁾⁽³⁾	3,194	3,260	(66)
	66,365	64,266	2,099
Less: Share of net operating income from joint ventures	12,029	11,153	876
Total net operating income	54,336	53,113	1,223
Weighted average occupancy rate - same property portfolio	93.0%	93.5%	(0.5pp)
Weighted average occupancy rate - total portfolio excluding discontinued operations	91.2%	92.8%	(1.6pp)

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

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

(3) Q1 2017 amount includes \$1.4 million of lease-up-losses incurred on our development projects (Q1 2016 – Nil).

Total resident revenue increased 3.4% in Q1 2017. The changes in resident revenue were due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments.

Same property resident revenue increased \$3.8 million or 2.0% in Q1 2017, primarily as a result of regular annual rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Total direct property operating expenses increased 3.9% in Q1 2017. The changes in direct property operating expenses were due to higher expenses in our same property portfolio and acquisitions and developments.

Same property direct operating expenses increased \$1.6 million or 1.2% in Q1 2017, primarily due to inflationary staffing cost increases, higher utilities, repairs and maintenance and administrative costs, partially offset by lower marketing costs, primarily timing related.

Management Fee Revenue

(\$000s)	Q1 2017	Q1 2016	Change
Welltower	1,704	1,508	196
Other	575	409	166
Total management fee revenue	2,279	1,917	362

Management fee revenue increased in Q1 2017 primarily due to growth in revenues of managed properties combined with an increase in the number of properties to which we provide management services.

Loans Receivable and Related Interest Income

(\$000s)	Q1 2017	Q1 2016	Change
Interest on loans receivable	252	357	(105)

At March 31, 2017, mezzanine and other loans of \$9.1 million were due from the entities affiliated with Batimo. Mezzanine loans and other loans with Batimo are secured by various charges against related real estate, guaranteed by Batimo and contain certain cross-collateralization and cross-default provisions.

On February 22, 2017, one vendor take back (“VTB”) loan of \$1.4 million was repaid.

Loans receivable bear interest at rates ranging from 8.0% to 10.0% and all are in good standing.

Changes in interest earned on loans receivable from period to period are a result of changes in loan balances outstanding.

General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q1 2017	Q1 2016	Change
G&A expenses	10,405	8,221	2,184
G&A expenses as a percentage of revenue ⁽¹⁾	4.8%	4.0%	0.8pp

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

In Q1 2017, G&A expenses increased \$2.2 million, primarily due to higher staffing costs. These investments were primarily required to support communities acquired in 2015 and 2016 as well as our growing development activities, including our management of Batimo projects. In addition, the increase in Q1 2017 was partly driven by higher severance and recruitment costs and the reversal of accrual of certain employee benefits costs on settlement of a related claim in Q1 2016. Combined, these items account for \$0.9 million of the increase.

G&A expenses, as a percentage of revenue at Chartwell’s Interest, were 4.8% in Q1 2017, compared to 4.0% in Q1 2016.

Finance Costs

(\$000s)	Q1 2017	Q1 2016	Change
Mortgages and loans payable			
Same property ⁽¹⁾	14,613	15,336	(723)
Acquisitions and other ⁽¹⁾	1,691	1,452	239
	16,304	16,788	(484)
Convertible debentures	-	1,910	(1,910)
Credit Facility and other interest expense	1,347	280	1,067
	17,651	18,978	(1,327)
Amortization of financing costs and debt mark-to-market adjustments ⁽¹⁾	(192)	(241)	49
	17,459	18,737	(1,278)
Interest capitalized to properties under development	(564)	(123)	(441)
Distributions on Class B Units recorded as interest expense	243	228	15
	17,138	18,842	(1,704)
Less: Share of finance costs from joint ventures	554	716	(162)
Total finance costs	16,584	18,126	(1,542)

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

Interest expense on the same property portfolio decreased \$0.7 million in Q1 2017, primarily due to lower interest rates achieved on mortgage renewals.

The convertible debentures were redeemed in Q2 2016.

Credit Facility and other interest expense increased \$1.1 million in Q1 2017, primarily due to higher balances outstanding on our Credit Facilities. We use our Credit Facilities in part to finance our acquisitions and development activities.

Interest capitalized to properties under development increased by \$0.4 million in Q1 2017, primarily due to higher levels of development activity.

Other Income/(Expense)

(\$000s)	Q1 2017	Q1 2016	Change
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	(1,600)	(1,635)	35
Interest and other income ⁽¹⁾	1,153	957	196
Gain on sale of assets ⁽¹⁾	36	318	(282)
Impairment of property, plant and equipment ("PP&E")	-	(3,000)	3,000
Property lease expense ⁽¹⁾	(98)	(99)	1
	(509)	(3,459)	2,950
Less: Share of other income/(expense) from joint ventures	25	30	(5)
Total other income/(expense)	(534)	(3,489)	2,955

(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.

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

Other Items

(\$000s)	Q1 2017	Q1 2016	Change
Depreciation of PP&E ⁽¹⁾	(39,630)	(36,989)	(2,641)
Amortization of intangible assets ⁽¹⁾	(501)	(304)	(197)
Changes in fair value of financial instruments and foreign exchange loss ⁽¹⁾	(4,880)	(18,275)	13,395

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

Depreciation of PP&E increased \$2.6 million in Q1 2017, primarily due to depreciation of properties acquired in 2016 and 2017.

Changes in fair value of financial instruments and foreign exchange loss result from changes in the market value of the underlying financial instruments and estimated values of amounts receivable under income guarantees. These amounts are expected to fluctuate from period to period due to changes in financial markets and operating performance of properties, subject to income guarantees.

The decrease in fair value adjustments in Q1 2017 is primarily due to the redemptions of our convertible debentures in Q2 2016, partially offset by increases in recorded liabilities for Trust Units issued under the Executive Unit Purchase Plan ("EUPP"), Class B Units and DTUs, as a result of the increased number of units outstanding and the market price of our Trust Units. The market price of our Trust Units on March 31, 2017, was \$15.63 per unit compared to \$14.10 per unit on March 31, 2016.

Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in Q1 2017.

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

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

Retirement Operations

The following table summarizes the composition of our Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same Property							
100% owned	101	771	10,521	547	146	483	12,468
50% owned	40	572	6,704	376	63	-	7,715
Total same property owned	141	1,343	17,225	923	209	483	20,183
Acquisitions, Development & Other							
100% owned – operating	10	-	986	217	28	-	1,231
Partially owned – operating ⁽¹⁾	6	-	424	83	17	-	524
Total acquisitions, development & other	16	-	1,410	300	45	-	1,755
Total	157	1,343	18,635	1,223	254	483	21,938

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

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

(\$000s, except occupancy rates)	Q1 2017	Q1 2016	Change
Revenue			
Same property	142,883	138,989	3,894
Acquisitions, development and other	13,745	10,303	3,442
Total revenue	156,628	149,292	7,336
Direct Property Operating Expenses			
Same property	85,980	84,334	1,646
Acquisitions, development and other	10,574	7,223	3,351
Total direct property operating expenses	96,554	91,557	4,997
Net Operating Income			
Same property	56,903	54,655	2,248
Acquisitions, development and other	3,171	3,080	91
Total net operating income	60,074	57,735	2,339
Weighted average occupancy rate - same property	92.1%	92.5%	(0.4pp)
Weighted average occupancy rate – total portfolio	90.2%	91.7%	(1.5pp)

Same property revenue increased 2.8% in Q1 2017, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Same property direct operating expenses increased 2.0% in Q1 2017, primarily due to inflationary staffing costs increases as well as higher utility, repairs and maintenance and administrative expenses, partially offset by lower marketing costs, primarily due to timing.

Same property NOI increased \$2.3 million or 4.1% in Q1 2017 as follows:

- Our Ontario retirement platform same property NOI increased \$1.2 million or 4.1%, primarily due to regular annual rental rate increases in line with competitive market conditions and lower marketing expenses, partially offset by lower occupancies, higher utilities, repairs and maintenance, food and property tax expenses.
- Our Western Canada platform same property NOI increased \$0.6 million or 5.5%, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions, partially offset by higher utilities, staffing and repairs and maintenance expenses.
- Our Quebec platform same property NOI increased \$0.5 million or 3.1%, primarily due to regular annual rental rate increases in line with competitive market conditions and lower marketing expenses, partially offset by lower occupancies, higher staffing, administrative and supply expenses.

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

	Q1 2017	Q1 2016	Change	Q4 2016	Change
Ontario	89.6%	89.8%	(0.2pp)	90.0%	(0.4pp)
Western Canada	96.2%	94.8%	1.4pp	96.9%	(0.7pp)
Quebec	93.3%	94.5%	(1.2pp)	94.5%	(1.2pp)
Total	92.1%	92.5%	(0.4pp)	92.9%	(0.8pp)

Long Term Care Operations

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

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

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

(\$000s, except occupancy rates)	Q1 2017	Q1 2016	Change
Revenue			
Same property	52,567	52,682	(115)
Acquisitions, development and other	1,918	2,067	(149)
Total revenue	54,485	54,749	(264)
Direct Property Operating Expenses			
Same property	46,299	46,331	(32)
Acquisitions, development and other	1,895	1,887	8
Total direct property operating expenses	48,194	48,218	(24)
Net Operating Income			
Same property	6,268	6,351	(83)
Acquisitions, development and other	23	180	(157)
Total net operating income	6,291	6,531	(240)
Weighted average occupancy rate - same property	98.0%	98.7%	(0.7pp)
Weighted average occupancy rate – total portfolio	97.3%	98.6%	(1.3pp)

Same property NOI decreased 1.3% in Q1 2017, primarily due to lower ancillary services revenues and higher utilities expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancy in the same property portfolio was 98.0% in Q1 2017 compared to 98.7% in Q1 2016.

Financial Position

Balance Sheet Analysis

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

	Increase / (Decrease) (\$millions)	Explanation
Total assets	34.6	Total assets increased primarily due to acquisitions and capital additions to properties, partially offset by depreciation and amortization.
Total liabilities	60.1	Total liabilities increased primarily due to new mortgage financings and credit line draws.
Equity	(25.5)	The decrease in equity is primarily due to distributions on Trust Units.

Outstanding Units Data

The following table summarizes changes in the number of outstanding units during Q1 2017:

	Trust Units	Trust Units under EUPP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2016	190,095,474	1,515,388	1,627,173	928,618	194,166,653
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	339,299	-	-	-	339,299
Trust Units issued under the Executive Unit Purchase Plan ("EUPP")	-	89,778	-	-	89,778
Trust Units surrendered for cancellation under EUPP	-	(4,784)	-	-	(4,784)
Trust Units released on settlement of EUPP receivable	28,024	(28,024)	-	-	-
Issuance of Class B Units	-	-	31,565	-	31,565
Exchange of Class B Units into Trust Units	3,500	-	(3,500)	-	-
DTUs issued	-	-	-	15,265	15,265
Distributions on DTUs	-	-	-	8,615	8,615
Balance March 31, 2017	190,466,297	1,572,358	1,655,238	952,498	194,646,391

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 March 31, 2017, we had cash on hand in the amount of \$56.2 million, including cash from Chartwell's Interest in equity-accounted investments of \$8.6 million. In order to provide for our operating and capital requirements, we have put in place credit facilities and arranged mortgage debt financing. We may also raise funds through the capital markets. At March 31, 2017, the available borrowing capacity under our Credit Facilities was \$24.8 million.

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 debt to adjusted gross book value of assets ("D/GBV"), as defined in the related credit agreement, 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%. Credit Facility 1 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 March 31, 2017, based on security provided, the maximum available borrowing capacity under Credit Facility 1 was \$200.0 million, of which \$4.2 million was utilized to support outstanding letters of credit and \$179.0 million was drawn, leaving available borrowing capacity at \$16.8 million. Based on our D/GBV as defined in the Credit Facility 1 agreement, as of March 31, 2017, the interest rate applicable to the amounts drawn on Credit Facility 1 in Q2 2017 will be equal to Prime plus 0.70% or BA plus 1.70%.

On June 17, 2016, we arranged a new \$50.0 million credit facility with a Canadian chartered bank ("Credit Facility 2," and together with Credit Facility 1, the "Credit Facilities") 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 level of our 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 March 31, 2017, \$42.0 million had been drawn and the maximum available borrowing capacity under Credit Facility 2 was \$50.0 million based on the security provided. Based on our D/GBV, as of March 31, 2017, the interest rate applicable to the amounts drawn on Credit Facility 2 in Q2 2017 will be equal to Prime plus 0.65% or BA plus 1.65%.

Indebtedness Ratio:

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

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

(\$000s)	March 31, 2017	December 31, 2016
Mortgages payable (contractual amount) ⁽¹⁾	1,750,640	1,722,667
Credit Facilities	221,000	172,000
Convertible debentures (at face value)	-	-
Indebtedness	1,971,640	1,894,667
Total assets	2,912,411	2,878,609
Accumulated depreciation and amortization ⁽²⁾	712,604	681,207
Cumulative transaction costs on business combinations	38,870	37,775
Change in GBV on transition to IFRS	276,153	276,153
GBV of assets	3,940,038	3,873,744
Less: Assets financed by deferred purchase consideration on acquisition of properties	1,506	1,506
GBV	3,938,532	3,872,238
Indebtedness Ratio ⁽³⁾	50.1%	48.9%

(1) Non-GAAP; refer to the "Non-GAAP Measures – Chartwell's Interest" section of this MD&A for a reconciliation of this amount.

(2) March 31, 2017 includes accumulated depreciation and amortization related to fully amortized assets of \$180.4 million (\$179.1 million in December 31, 2016).

(3) 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)	Q1 2017	Q1 2016
Interest expense including capitalized interest	17,459	18,737
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ⁽¹⁾⁽²⁾	60,932	61,254
Interest Coverage Ratio ⁽³⁾	3.49	3.27
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) Q1 2017 Adjusted EBITDA was reduced by \$1.4 million in lease-up-losses related to our development projects (Q1 2016 – Nil).

(3) 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)	Q1 2017	Q1 2016
Net loss for the period - continuing operations	(4,167)	(19,550)
<i>Add (Subtract):</i>		
Impairment provision	-	3,000
Transaction costs arising on business acquisitions and dispositions	1,600	1,635
Finance costs	17,138	18,842
Depreciation of PP&E	39,630	36,989
Amortization of intangible assets	501	304
Gain on sale of assets	(36)	(318)
Changes in fair value of financial instruments and foreign exchange loss	4,880	18,275
Principal portion of capital funding receivable from Health Authorities	1,386	2,077
Adjusted EBITDA ⁽¹⁾	60,932	61,254

(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 Chartwell's Interest) 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 March 31, 2017 and 2016, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	March 31, 2017	March 31, 2016
Trailing 12-month Adjusted EBITDA ⁽¹⁾	250,365	222,443
<i>Adjust for:</i>		
Part-year acquisitions	4,386	18,449
Part-year dispositions	1,452	837
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions)	256,203	241,729
Indebtedness ⁽²⁾	1,971,640	1,865,973
Less: Cash and cash equivalents	56,150	12,186
Net debt	1,915,490	1,853,787
Net Debt to Adjusted EBITDA Ratio ⁽³⁾	7.5	7.7

(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 "Indebtedness Ratio" discussion above for the calculation of this amount.

(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 March 31, 2017 at Chartwell's Interest:

(\$000s)	2016	Subtract: Q1 2016	Add: Q1 2017	12 months ended March 31, 2017
Adjusted EBITDA ⁽¹⁾	250,687	61,254	60,932	250,365

(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

Our debt portfolio currently consists of property-specific secured mortgages and secured and unsecured credit facilities. 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 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 Q1 2017:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Balance at December 31, 2016	1,722,667	6.9	3.84%	59%
Matured in the period	(18,585)	-	4.56%	4%
New mortgage financing	60,568	9.3	3.24%	54%
Regular amortizing principal repayments	(14,010)	-	-	-
Balance at March 31, 2017	1,750,640	6.8	3.81%	59%

New mortgage financing includes additional financing on CMHC-insured mortgages totalling \$32.9 million with a weighted average interest rate of 3.25% and weighted average term of 14.5 years, bridge loans on two non-stabilized properties totalling \$26.0 million with a weighted interest rate of 3.29% and weighted average term of 3.2 years and construction financing for a property under development of \$1.7 million with a weighted average interest rate of 2.44% and weighted average term of 2.8 years.

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

	At March 31, 2017		At December 31, 2016	
	Fixed Rate	Variable Rate	Total	Total
Amount (\$000s)	1,707,797	42,843	1,750,640	1,722,667
Weighted average interest rate	3.83%	2.87%	3.81%	3.84%
Average term to maturity (years)	6.9	3.4	6.8	6.9

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of March 31, 2017, approximately 59% 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.

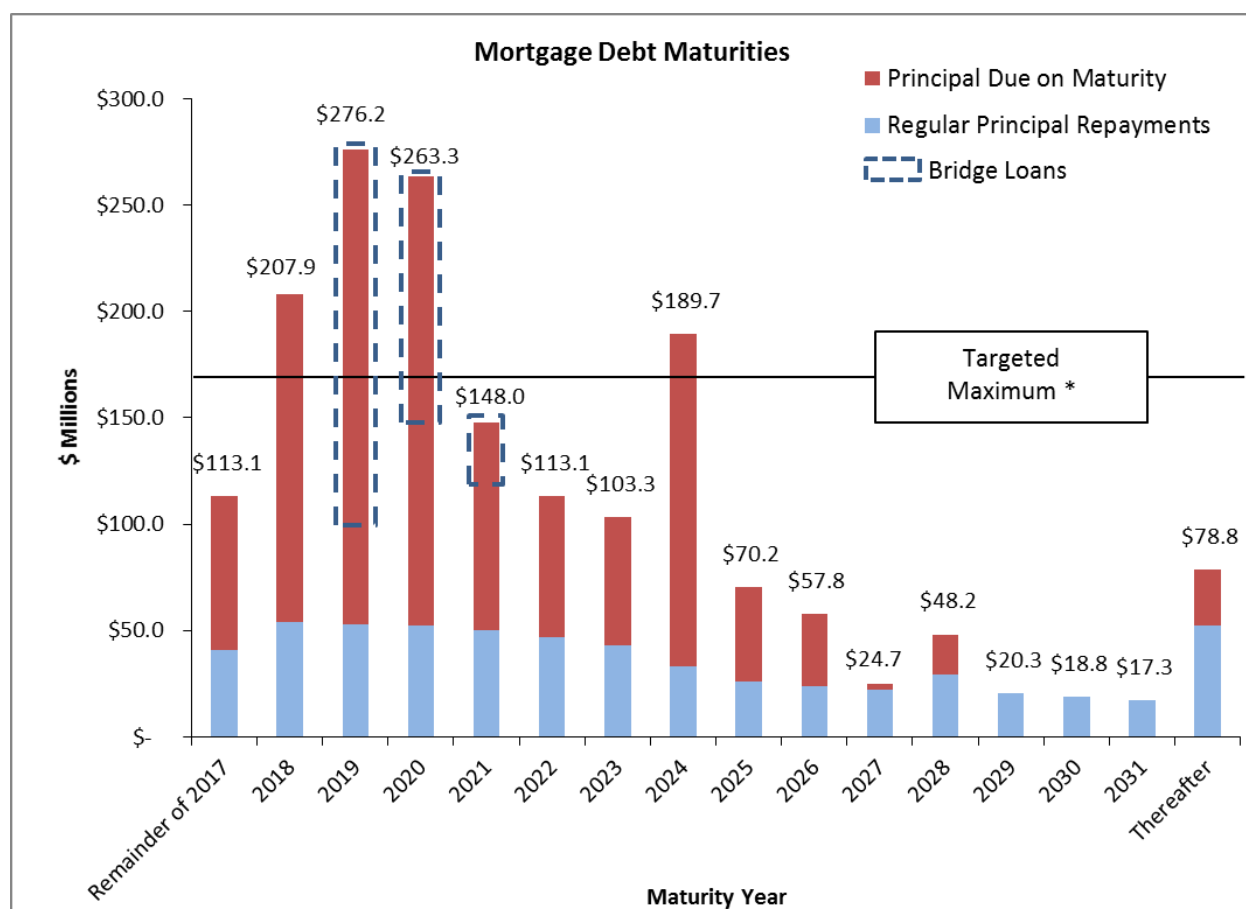
The following table summarizes our variable-rate mortgages at Chartwell's Interest as at March 31, 2017:

(\$000s, except number of properties)	Number of Properties	March 31, 2017	Number of Properties	December 31, 2016
Mortgages on properties under construction	1	1,671	-	-
Mortgages on non-stabilized properties	3	19,967	2	11,085
Mortgages on stabilized properties	4	21,205	4	21,390
Total	8	42,843	6	32,475

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at March 31, 2017:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
Year					
Remainder of 2017	40,590	72,548	113,138	7%	4.15%
2018	53,924	154,021	207,945	12%	3.54%
2019	52,776	223,375	276,151	16%	2.74%
2020	52,302	210,994	263,296	15%	3.07%
2021	50,292	97,663	147,955	8%	4.09%
2022	47,019	66,075	113,094	6%	3.47%
2023	42,906	60,419	103,325	6%	4.09%
2024	32,861	156,797	189,658	11%	3.96%
2025	25,826	44,335	70,161	4%	2.87%
2026	24,013	33,830	57,843	3%	2.42%
2027	22,144	2,561	24,705	1%	2.60%
2028	29,241	18,925	48,166	3%	4.20%
2029	20,267	-	20,267	1%	0.00%
2030	18,835	-	18,835	1%	3.78%
2031	17,335	-	17,335	1%	4.18%
Thereafter	52,385	26,381	78,766	5%	4.00%
Total	582,716	1,167,924	1,750,640	100%	
Mark-to-market adjustments arising on acquisition			18,860		
Less: Financing costs			(23,800)		
Total Mortgage Debt			1,745,700		

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



* 10% of total mortgage debt = \$175.1 million

Included in 2019, 2020 and 2021 maturities are \$175.5 million, \$122.3 million, and \$31.8 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 our 5.7% convertible debentures with an outstanding principal balance of \$131.9 million. Under the terms of the trust indentures governing these debentures, before May 16, 2016 (the "Redemption Date") the holders had the right to convert their debentures into Trust Units at a conversion price of \$11.00 per unit. We elected to satisfy our redemption obligations for any unconverted convertible debentures by issuing Trust Units at 95% of the market price on the Redemption Date, as provided for in the trust indentures.

Capital Investments

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

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

As part of our acquisition underwriting, we assess the long-term capital needs of the acquired properties and consider these capital requirements in our determination of the purchase price.

The following table summarizes our capital investments in Q1 2017 and Q1 2016 at Chartwell's Interest:

(\$000s)	Q1 2017	Q1 2016	Change
Building improvements	2,507	1,435	1,072
Mechanical and electrical ("M&E")	932	816	116
Suite improvements and upgrades	3,427	2,016	1,411
Interior improvements and upgrades	502	153	349
Furniture, fixtures and equipment ("FF&E")	926	895	31
Communications and information systems	1,381	800	581
Total – same property	9,675	6,115	3,560
Add: Acquisitions and other	711	377	334
Total capital investments	10,386	6,492	3,894

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 Q1 2017, we completed five major building improvement projects valued over \$50,000 each, totalling \$0.4 million. In Q1 2016, we completed two projects for a total of \$0.2 million.

In addition, this category includes the acquisitions of two condominium suites at some of our properties in British Columbia totalling \$0.6 million. In Q1 2016, we acquired two condominium suites for a total of \$0.5 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 Q1 2017, we completed one major M&E project valued over \$50,000, totalling \$0.1 million. In Q1 2016, we completed three projects for a total of \$0.2 million.

Suite Improvements and Upgrades:

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

In Q1 2017, 38 properties were subject to strategic suite upgrade programs (Q1 2016 – 27 properties).

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 Q1 2017, seven properties were subject to strategic common area upgrade programs (Q1 2016 – five properties).

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 telecommunication systems, including emergency call systems, computer hardware and software and the implementation costs of major new information systems.

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2016 MD&A. There were no significant changes in our contractual obligations and guarantees in Q1 2017 which are outside the ordinary course of business.

Cash Flow Analysis

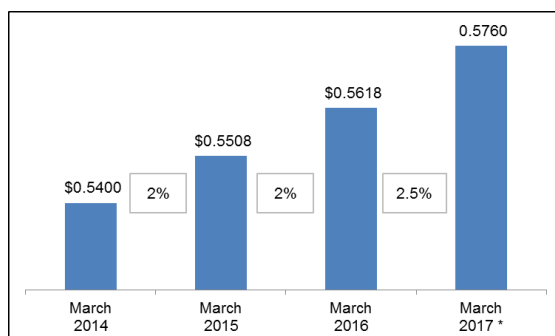
The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2017 and Q1 2016 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	7.7	Change in cash flows from operating activities is primarily due to higher NOI, lower interest payments and changes in working capital balances.
Financing activities	19.2	Change in cash flows from financing activities is primarily due to higher utilization of our Credit Facilities and lower mortgage repayments, partially offset by lower mortgage financing proceeds.
Investing activities	(12.4)	Change in cash flows from investing activities is primarily due to higher capital investments in our existing properties in 2017, partially offset by fewer acquisitions, repayments of one loan receivable and contributions made to the joint arrangement on the Kingston Project in Q1 2017.

Distributions

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the “Trustees”). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate.

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



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

Unitholders who are Canadian residents are eligible to participate in our 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 Q1 2017, our average DRIP participation was 17.4% compared to 18.3% participation in Q1 2016.

The following table summarizes distributions declared on Trust Units in Q1 2017, 2016 and 2015 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q1 2017	2016	2015
Distributions declared on Trust Units	27,147	104,701	96,553
Cash flows from operating activities	24,371	158,373	115,821
Net loss from continuing operations	(4,167)	(710)	12,139
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	(2,776)	53,672	19,268
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(31,314)	(105,411)	(84,414)

We distributed cash to our unitholders while recording a net loss from continuing operations in Q1 2017 and 2016. 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.

The excess of distributions over cash flows from operating activities in Q1 2017 is primarily attributable to seasonality in our operating results and changes in working capital balances, which we expect to normalize during the course of the year. This excess was financed utilizing our Credit Facilities.

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)	2017		2016		2015			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	191,339	194,003	190,646	188,668	184,895	184,050	173,088	165,545
Direct property operating expenses	(125,943)	(128,177)	(122,883)	(122,959)	(121,208)	(122,502)	(115,562)	(112,836)
Depreciation and amortization	(38,075)	(38,534)	(37,955)	(35,021)	(35,245)	(34,396)	(28,164)	(23,621)
Share of net income/(loss) from joint ventures	536	1,829	1,759	931	172	(1,445)	966	197
G&A expenses	(10,405)	(8,227)	(8,264)	(9,126)	(8,221)	(7,581)	(7,003)	(7,519)
Other income/(expense)	(534)	1,848	(4,426)	4,082	(3,489)	(4,640)	(7,379)	13,649
Finance costs	(16,584)	(16,582)	(16,630)	(17,440)	(18,126)	(18,068)	(17,386)	(18,510)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	(4,501)	6,693	178	(5,546)	(18,328)	(6,451)	(863)	12,840
Current income tax (expense)/benefit	-	(27)	-	-	-	1,456	(2,796)	-
Deferred income tax (expense)/benefit	-	-	-	-	-	8,216	789	(789)
Net income/(loss) for the period – continuing operations	(4,167)	12,826	2,425	3,589	(19,550)	(1,361)	(4,310)	28,956
Net income/(loss) for the period	(4,167)	15,053	2,430	7,185	(19,872)	562	(4,768)	355,310
FFO – continuing operations ⁽¹⁾	42,106	43,767	46,222	42,304	40,344	38,484	35,559	28,477
Diluted FFO – continuing operations ⁽¹⁾	42,106	43,767	46,222	43,005	42,254	40,422	37,497	30,394
FFO per unit diluted – continuing operations ⁽¹⁾	0.22	0.23	0.24	0.22	0.22	0.21	0.20	0.16
Total FFO ⁽¹⁾	42,106	43,767	46,222	42,304	40,344	38,484	35,559	37,679
Total Diluted FFO ⁽¹⁾	42,106	43,767	46,222	43,005	42,254	40,422	37,497	39,596
Total FFO per unit diluted ⁽¹⁾	0.22	0.23	0.24	0.22	0.22	0.21	0.20	0.21
AFFO – continuing operations ⁽¹⁾	38,820	40,660	43,260	39,809	38,477	36,252	33,047	25,903
Diluted AFFO – continuing operations ⁽¹⁾	38,820	40,660	43,260	40,510	40,387	38,190	34,985	27,820
AFFO per unit diluted – continuing operations ⁽¹⁾	0.20	0.21	0.22	0.21	0.21	0.20	0.18	0.15
Total AFFO ⁽¹⁾	38,820	40,660	43,260	39,809	38,477	36,252	33,047	34,152
Total Diluted AFFO ⁽¹⁾	38,820	40,660	43,260	40,510	40,387	38,190	34,985	36,069
Total AFFO per unit diluted ⁽¹⁾	0.20	0.21	0.22	0.21	0.21	0.20	0.18	0.19

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

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

Non-GAAP Measures

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

In February 2017, the Real Property Association of Canada (“REALPAC”) issued white papers with recommendations for calculations of FFO and AFFO and introduced a new cash flow measure, Adjusted Cash Flow from Operations (“ACFO”). While we are not a member of REALPAC, we are currently reviewing the new guidance and expect to adopt it by Q4 2017.

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 REALPAC.

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

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

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

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

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

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

(\$000s, except per unit amounts)	Q1 2017	Q1 2016	Change
Net loss from continuing operations	(4,167)	(19,550)	15,383
<i>Add (Subtract):</i>			
Depreciation of PP&E ⁽¹⁾	39,630	36,989	2,641
Amortization of limited life intangible assets ⁽¹⁾	501	304	197
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above ⁽¹⁾	(545)	(219)	(326)
Gain on sale of assets ⁽¹⁾	(36)	(318)	282
Transaction costs arising on business acquisitions and dispositions ⁽¹⁾	1,600	1,635	(35)
Distributions on Class B Units recorded as interest expense	243	228	15
Changes in fair value of financial instruments and foreign exchange loss	4,880	18,275	(13,395)
Impairment provision	-	3,000	(3,000)
FFO - continuing operations ⁽¹⁾⁽²⁾	42,106	40,344	1,762
FFO - discontinued operations	-	-	-
FFO ⁽¹⁾⁽²⁾	42,106	40,344	1,762
FFO - continuing operations ⁽¹⁾⁽²⁾	42,106	40,344	1,762
Interest expense on 5.7% convertible debentures	-	1,910	(1,910)
Diluted FFO - continuing operations ⁽³⁾	42,106	42,254	(148)
FFO - discontinued operations	-	-	-
Diluted FFO ⁽³⁾	42,106	42,254	(148)
FFO per unit ⁽⁴⁾			
Basic	0.22	0.22	-
Diluted	0.22	0.22	-

(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 were dilutive to AFFO per unit, convertible debenture interest was added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted.

Our AFFO definition differs from the recently-issued REALPAC guidance in that we include the principal portion of capital funding receivable, income guarantees, financing cost reserves and remove amortization of financing costs and debt mark-to-market adjustments in our AFFO calculations. We are currently reviewing the new REALPAC guidance and expect to adopt it by Q4 2017.

The following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q1 2017	Q1 2016	Change
FFO - continuing operations ⁽¹⁾	42,106	40,344	1,762
<i>Add (Subtract):</i>			
Principal portion of capital subsidy receivable from Health Authorities	1,386	2,077	(691)
Amounts receivable under income guarantees	290	787	(497)
Amortization of financing costs and debt mark-to-market adjustments ⁽²⁾⁽³⁾	(358)	(326)	(32)
Financing cost reserve ⁽⁴⁾	(382)	(324)	(58)
AFFO before capital maintenance reserve	43,042	42,558	484
Capital maintenance reserve - 2% of property revenue - continuing operations ⁽⁵⁾	(4,222)	(4,081)	(141)
AFFO - continuing operations ⁽⁶⁾	38,820	38,477	343
AFFO - discontinued operations	-	-	-
AFFO ⁽⁶⁾	38,820	38,477	343
AFFO - continuing operations ⁽⁶⁾	38,820	38,477	343
Interest expense on 5.7% convertible debentures	-	1,910	(1,910)
Diluted AFFO - continuing operations ⁽⁷⁾	38,820	40,387	(1,567)
AFFO - discontinued operations	-	-	-
Diluted AFFO ⁽⁷⁾	38,820	40,387	(1,567)
Total AFFO per unit ⁽⁸⁾			
Basic	0.20	0.21	(0.01)
Diluted	0.20	0.21	(0.01)

(1) Non-GAAP; refer to the “Non-GAAP Measures – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

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

(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities.

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

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

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 and EUPP. 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)	Q1 2017	Q1 2016	Change
Weighted average number of units ⁽¹⁾	194,385	180,643	13,742
Dilutive impact of 5.7% convertible debentures ⁽²⁾	-	12,255	(12,255)
Weighted average number of units, diluted	194,385	192,898	1,487

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

(2) The 5.7% convertible debentures were converted into Trust Units in Q2 2016.

Property Revenue

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

Direct Property Operating Expenses

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

Net Operating Income

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

Same Property Performance

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

The following table summarizes the same property portfolio as at March 31, 2017:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	141	20,183	16,326
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	164	23,167	19,310

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

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

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

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

G&A Expenses as a Percentage of Revenue

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

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

(\$000s)	Q1 2017	Q1 2016
Revenue	191,339	184,895
Equity-accounted investments	22,305	21,420
Chartwell's Interest	213,644	206,315
Interest income	1,127	932
Equity-accounted investments	26	25
Chartwell's Interest	1,153	957
Total revenue at Chartwell's Interest	214,507	207,272

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.

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.

Adjusted EBITDA

Adjusted 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.

Estimated Development Costs

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

Expected Unlevered Yield

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

Chartwell's Interest

We account for certain investments in joint arrangements using the equity method of accounting. All references to "Chartwell's Interest" refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio excluding discontinued operations, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the "Joint Arrangements" section of this MD&A for a discussion of the usefulness of this measure and to the following tables for a reconciliation of Chartwell's results of operations and statement of financial position.

The following table provides a reconciliation of the Q1 2017 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q1 2017 IFRS basis	Equity Accounted Investments ⁽¹⁾	Q1 2017 Chartwell's Interests ⁽²⁾
Revenue			
Resident	180,279	30,834	211,113
Management and other fees	2,279	-	2,279
Lease revenue from joint ventures	8,529	(8,529)	-
Interest on loans receivable	252	-	252
	191,339	22,305	213,644
Expenses			
Direct property operating	125,943	18,805	144,748
Depreciation of PP&E	37,578	2,052	39,630
Amortization of intangible assets	497	4	501
Share of net income from joint ventures	(536)	536	-
G&A	10,405	-	10,405
Other expense/(income)	534	(25)	509
Finance costs	16,584	554	17,138
Changes in fair value of financial instruments and foreign exchange loss	4,501	379	4,880
Net loss from continuing operations	(4,167)	-	(4,167)
Total comprehensive loss	(4,167)	-	(4,167)

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

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

The following table provides a reconciliation of the Q1 2016 Statement of Comprehensive Income (Loss) from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q1 2016 IFRS basis	Equity Accounted Investments ⁽¹⁾	Q1 2016 Chartwell's Interests ⁽²⁾
Revenue			
Resident	174,321	29,720	204,041
Management and other fees	1,917	-	1,917
Lease revenue from joint ventures	8,300	(8,300)	-
Interest on loans receivable	357	-	357
	184,895	21,420	206,315
Expenses			
Direct property operating	121,208	18,567	139,775
Depreciation of PP&E	34,945	2,044	36,989
Amortization of intangible assets	300	4	304
Share of net income from joint ventures	(172)	172	-
G&A	8,221	-	8,221
Other expense/(income)	3,489	(30)	3,459
Finance costs	18,126	716	18,842
Changes in fair value of financial instruments and foreign exchange loss	18,328	(53)	18,275
Net loss from continuing operations	(19,550)	-	(19,550)
Net loss from discontinued operations	(322)	-	(322)
Total comprehensive loss	(19,872)	-	(19,872)

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

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

The following table provides a reconciliation of the March 31, 2017 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

(\$000s)	March 31, 2017 IFRS basis	Equity Accounted Investments ⁽¹⁾	March 31, 2017 Chartwell's Interests ⁽²⁾
Assets			
Current assets:			
Cash and cash equivalents	47,558	8,592	56,150
Trade and other receivables	9,953	639	10,592
Capital funding receivable	5,741	-	5,741
Other assets	16,077	3,726	19,803
Assets held for sale	21,308	-	21,308
Total current assets	100,637	12,957	113,594
Non-current assets:			
Other assets	3,096	-	3,096
Loans receivable	9,071	-	9,071
Capital funding receivable	53,047	-	53,047
Investment in joint ventures	37,149	(37,149)	-
Intangible assets	57,102	22	57,124
PP&E	2,571,197	105,282	2,676,479
Total non-current assets	2,730,662	68,155	2,798,817
Total assets	2,831,299	81,112	2,912,411
Liabilities and Unitholders' Equity			
Current liabilities:			
Accounts payable and other liabilities	104,205	3,376	107,581
Distributions payable	9,296	-	9,296
Mortgages payable	163,206	324	163,530
Liabilities held for sale	312	-	312
Total current liabilities	277,019	3,700	280,719
Non-current liabilities:			
Mortgages payable	1,504,758	77,412	1,582,170
Credit Facilities	221,000	-	221,000
Class B Units	25,871	-	25,871
Deferred tax liabilities	1,518	-	1,518
Deferred consideration on business combinations	1,666	-	1,666
Total non-current liabilities	1,754,813	77,412	1,832,225
Total liabilities	2,031,832	81,112	2,112,944
Unitholders' equity	799,467	-	799,467
Total liabilities and unitholders' equity	2,831,299	81,112	2,912,411

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

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

The following table provides a reconciliation of the December 31, 2016 Balance Sheet from an IFRS basis to this MD&A's presentation at Chartwell's Interest:

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

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

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

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

We monitor and assess all accounting pronouncements. In our Financial Statements, our 2016 MD&A as well as in our 2016 Financial Statements, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. There were no significant changes in Q1 2017.

Changes in Accounting Estimates and Changes in Accounting Policies

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

Controls and Procedures

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

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

The President & Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2017. Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to Chartwell is made known to the President & Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by Chartwell in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the period beginning January 1, 2017 and ending March 31, 2017, we continue the phase-in implementation of our new Human Capital Management System. We have considered the corresponding

control risks and have performed procedures to obtain reasonable assurance on the design and operation of internal controls over financial reporting that are new or are significantly modified.

There were no changes in our internal controls over financial reporting that occurred during the period ended March 31, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Forward-Looking Information and Risks and Uncertainties

Forward-Looking Information

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “scheduled”, “estimates”, “intends”, “anticipates”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might” occur and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

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

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- our estimates of the number of suites that could potentially be built on our owned lands which are subject to market demand and municipal and regulatory approval;
- information related to the expected completion date of communities under construction, which is subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;
- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC; and
- our ability to realize benefits on technology investments.

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

Risks and Uncertainties

Our AIF, dated February 23, 2017, and our 2016 MD&A contain a detailed discussion of risk factors and uncertainties facing Chartwell.

There were no significant changes to these risk factors and uncertainties as of the date of this MD&A.