



CHARTwell[®]
retirement residences

making people's
lives **BETTER**[®]



Q1

First Quarter Report
March 31, 2018

**MANAGEMENT'S DISCUSSION
& ANALYSIS**



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

For the Three Months Ended March 31, 2018

Contents

BUSINESS OVERVIEW	3	CASH FLOW ANALYSIS	21
BUSINESS STRATEGY	5	LIQUIDITY AND CAPITAL RESOURCES	22
2018 OUTLOOK	7	Liquidity	22
SIGNIFICANT EVENTS	7	Debt	22
JOINT ARRANGEMENTS	12	Credit Rating	26
CONSOLIDATED RESULTS OF OPERATIONS	13	Financial Covenants	26
Highlights	13	<i>Credit Facilities</i>	27
FFO	13	<i>Debentures</i>	29
Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI	14	<i>Supporting Covenant Calculations</i>	30
Results of Operations by Reportable Segment	16	Unitholders' Equity	34
<i>Retirement Operations</i>	16	BALANCE SHEET ANALYSIS	36
<i>Long Term Care Operations</i>	18	CAPITAL INVESTMENTS	36
Management Fee Revenue	19	COMMITMENTS AND CONTINGENCIES	38
Interest Income	19	SUMMARY OF SELECT FINANCIAL INFORMATION	39
General, Administrative and Trust Expenses	19	ADDITIONAL INFORMATION ON NON-GAAP FINANCIAL MEASURES	40
Finance Costs	20	CRITICAL ACCOUNTING POLICIES AND ESTIMATES	42
Other Income/(Expense)	21	CONTROLS AND PROCEDURES	43
Other Items	21	FORWARD-LOOKING INFORMATION AND RISKS AND UNCERTAINTIES	43

About this Management's Discussion and Analysis

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, 2018. This MD&A should be read in conjunction with Chartwell's unaudited, interim condensed consolidated financial statements for the three months ended March 31, 2018, and the notes thereto (the "Financial Statements"), the audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes thereto (the "2017 Financial Statements") and the annual MD&A for the year ended December 31, 2017 (the "2017 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, 2017, 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 10, 2018.

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 we refer to Chartwell's Joint Arrangements that are joint ventures as defined by International Financial Reporting Standards ("IFRS") in 'IFRS 11 – Joint Arrangements' and that are accounted for using the equity method as "Equity-Accounted JVs".

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; "2018" refers to the calendar year 2018; "2017" refers to the calendar year 2017; "2016" refers to the calendar year 2016; and "YTD" means year-to-date.

Unless otherwise indicated, all comparisons of results for Q1 2018 are in comparison to results from Q1 2017.

In this document we use a number of performance measures that are not defined in generally accepted accounting principles ("GAAP") such as Net Operating Income ("NOI"), Funds from Operations ("FFO"), "Net Debt", "Adjusted EBITDA", "Net Debt to Adjusted EBITDA Ratio", "Liquidity", "Imputed Cost of Capital", "Lease-up-Losses", "Adjusted Development Costs", "Unlevered Yield", "Adjusted Resident Revenue", "Adjusted Direct Property Operating Expense" and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the "Non-GAAP Financial Measures"). These Non-GAAP Financial Measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. The Real Property Association of Canada ("REALPAC") issued white papers with recommendations for calculations of FFO, Adjusted Funds from Operations ("AFFO"), and Adjusted Cash Flow from Operations ("ACFO") (the "REALPAC Guidance"). Our FFO definition is substantially consistent with the definition adopted by REALPAC. Please refer to the "Additional Information on Non-GAAP Financial Measures" section of this MD&A for details. As part of our financial covenants reporting, we present AFFO in accordance with the definitions used in our credit agreements. This definition differs from the definition in the REALPAC Guidance.

In this document we use various financial metrics and ratios in our disclosure of financial covenants such as "Debt Service Coverage Ratio", "Total Leverage Ratio", "Adjusted Consolidated Unitholders' Equity Ratio", "Secured Indebtedness Ratio", "Unencumbered Property Asset Ratio", "Consolidated EBITDA to Consolidated Interest Expense Ratio", "Indebtedness Percentage", "Consolidated EBITDA", "Consolidated Interest Expense", "Regularly-Scheduled Debt Principal Repayments", "Consolidated Indebtedness", "Adjusted Consolidated Gross Book Value of Assets", "AFFO", "Secured Indebtedness", "Consolidated Unsecured Indebtedness", "Unencumbered Property Asset Value", and "Unencumbered

Aggregate Adjusted Assets". These metrics are calculated in accordance with the definitions contained in our credit agreements and the trust indenture governing our outstanding debentures, and may be described using terms which differ from standardized meanings prescribed by GAAP. These metrics may not be comparable to similar metrics used by other issuers. Please refer to the "Liquidity and Capital Resources – Financial Covenants" section of this MD&A for details.

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 on page 43 of this MD&A for more information.

Business Overview

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

Our Continuum of Care

- Independent living (“IL”) - Age-qualified suites/ townhouses/ bungalows with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supportive living (“ISL”) - Age-qualified suites/ townhouses/ bungalows with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living (“AL”) - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care (“MC”) - Age-qualified suites with personal care services included in base fee for persons with Alzheimer’s disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care (“LTC”) - Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

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

Our Mission is...

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents’ loved ones;
- to attract and retain employees who care about making a difference in our residents’ lives; and
- to provide an investment opportunity that benefits society with reasonable and growing returns to the unitholders.

Our Values are...

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

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

The following is the composition of our owned and managed portfolio of communities in our two operating segments at March 31, 2018:

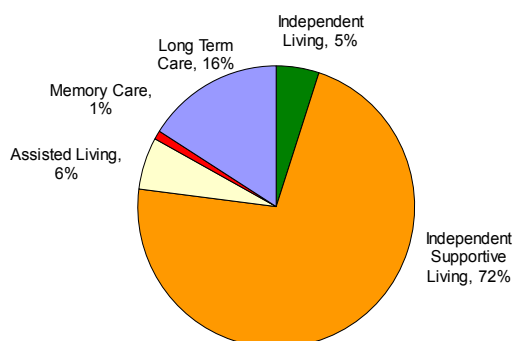
	Retirement Operations		Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
Owned Communities: ⁽¹⁾						
100% Owned – operating	112	13,808	24	3,084	136	16,892
Partially Owned – operating ⁽²⁾	45	8,280	-	-	45	8,280
Total Owned	157	22,088	24	3,084	181	25,172
Managed Communities	6	1,188	4	608	10	1,796
Total	163	23,276	28	3,692	191	26,968

(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.

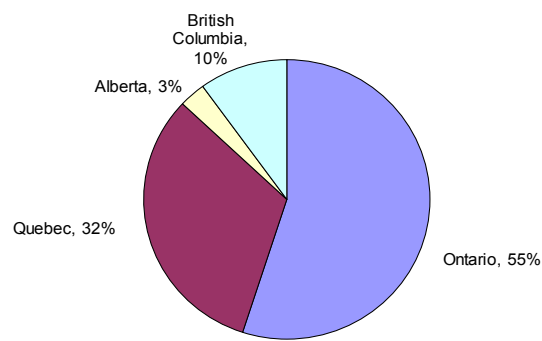
(2) We have a 50% ownership interest in these communities (7,578 suites) with the exception of four retirement communities (702 suites) and one medical office building in which we have an 85% ownership interest.

**Composition of Portfolio of Owned Suites/Beds
at Chartwell's Share of Ownership Interest, at March 31, 2018 by:**

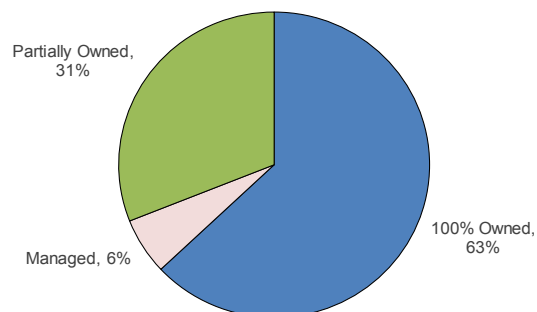
Level of Care



Geographic Location



Ownership



Business Strategy

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

Grow core property portfolio contribution by:

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

Maintain a strong financial position by:

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

Improve quality and efficiency of our corporate support services by:

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

Build value of our real estate portfolio by:

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

Q1 2018 Update on Business Strategy

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

Grow core property portfolio contribution	- Retirement Adjusted NOI increased \$3.3 million or 5.5% in Q1 2018. - Long term care Adjusted NOI decreased \$0.2 million or 3.0% in Q1 2018. - Same property Adjusted NOI ⁽¹⁾ increased \$0.8 million or 1.3% in Q1 2018. - Same property occupancy was 92.1% in Q1 2018, compared to 92.7% in Q1 2017.
Maintain a strong financial position	- At March 31, 2018, we had liquidity of \$369.8 million ⁽²⁾ and \$7.1 million in our Equity-Accounted JVs, at our share. - Interest Coverage Ratio for the Debentures ⁽³⁾ remained strong at 3.2 in Q1 2018. - Net Debt to Adjusted EBITDA Ratio ⁽⁴⁾ was 7.7 at March 31, 2018.
Improve quality and efficiency of our corporate support services	The second phase of implementation of our Human Capital Management system is in progress.
Build value of our real estate portfolio	- Sold interests in three non-core properties for \$32.0 million. - Work continues on our development pipeline of 1,338 suites with six projects in construction and three projects in pre-development. - Options to acquire interests in development projects by Batimo Inc. ("Batimo") are expected to add another 2,784 suites to our portfolio over time.

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for details.

(2) Includes cash, cash equivalents and amounts available under Credit Facilities. Refer to the "Liquidity and Capital Resources" section on page 22 of this MD&A for details.

(3) Non-GAAP; refer to the "Liquidity and Capital Resources – Financial Covenants – Debentures" section on page 29 of this MD&A for details.

(4) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Net Debt to Adjusted EBITDA" section on page 42 of this MD&A for details.

2018 Outlook

Our 2017 MD&A contains a detailed discussion of our 2018 Outlook. There were no significant changes in Q1 2018 to our 2018 Outlook.

Significant Events

Significant events that have affected or may be expected to affect our results in the future are described in our 2017 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 reputable developers in order to gain access to attractive sites in strong markets.

Unlevered Yield, Development Lease-up-Losses and Imputed Cost of Capital

In addition to monitoring development costs measured on a GAAP basis which include land costs, hard and soft development costs, costs of furniture, fixtures and equipment, we assess our return on investment in development activities using the non-GAAP financial measure 'Unlevered Yield'. Unlevered Yield should not be construed as an alternative to other GAAP metrics and may not be comparable to measures used by other entities.

Unlevered Yield is defined as the ratio of:

- the estimated NOI of a development property in the first year it achieves an expected stabilized occupancy level ("Estimated Stabilized NOI") which varies from project to project,
- divided by the estimated adjusted development costs (the "Adjusted Development Costs") which is the sum of:
 - development costs on a GAAP basis, plus
 - negative or positive NOI generated by the development property prior to achieving the expected stabilized occupancy (the "Lease-up-Losses"), plus
 - an imputed cost of capital calculated by applying our estimated weighted average cost of capital to our GAAP development costs plus Lease-up-Losses, compounded during the development of the property and up to achieving the expected stabilized occupancy (the "Imputed Cost of Capital").

We believe this is a useful measure as we believe it reflects our total economic cost of developing a new property.

Projects in Development

The following table summarizes projects that are in various stages of development to date:

Project	Location	Suites / Beds	Suite Type	Current Project Status ⁽¹⁾	Estimated Development Cost (\$ millions)	Estimated Imputed Cost of Capital and Lease-up-Losses ⁽²⁾ (\$millions)	Estimated Adjusted Development Costs ⁽³⁾ (\$millions)	Adjusted Development Costs incurred as at March 31, 2018 ⁽²⁾ (\$millions)	Actual / Expected Completion Date	Expected Stabilized Occupancy Date	Expected Stabilized Occupancy (%)	Estimated Stabilized NOI ⁽²⁾ (\$millions)	Expected Unlevered Yield ⁽²⁾
Chartwell Carlton Retirement Residence	Burnaby, BC	105	IL	C	35.9	2.5	38.4	26.4	Q3 2018	Q3 2020	96%	2.9	7.5%
Chartwell Bankside Retirement Apartments	Kitchener, ON	58	IL	C	17.5	1.1	18.6	12.4	Q2 2018	Q3 2019	97%	1.4	7.3%
The Sumach by Chartwell ⁽⁴⁾	Toronto, ON	332	IL	C	43.6	3.0	46.6	24.1	Q4 2018	Q4 2020	95%	3.2	6.8%
Chartwell Wescott Retirement Residence	Edmonton, AB	137	ISL/ MC	C	42.4	5.7	48.1	16.8	Q4 2018	Q1 2021	95%	3.3	7.0%
Chartwell Guildwood Retirement Residence ⁽⁵⁾	Scarborough, ON	172	IL/ISL/ MC	C	33.0	3.1	36.1	1.8	Q4 2019	Q2 2021	92%	2.5	6.9%
Chartwell Meadowbrook Village	Lively, ON	55	IL/ISL	P	20.8	0.7	21.5	0.3	Q4 2019	Q3 2020	95%	1.5	7.0%
Chartwell Montgomery Village	Orangeville, ON	122	IL	P	41.8	3.6	45.4	0.6	Q4 2019	Q3 2021	93%	3.1	6.9%
Chartwell Ballycliffe LTC ⁽⁶⁾	Ajax, ON	192	LTC	P	41.9	2.7	44.6	0.8	Q2 2021	Q2 2021	100%	3.5	7.8%
		1,173			276.9	22.4	299.3	83.2					
Project by Signature Retirement Living ("Signature Living")													
Kingston Project ⁽⁷⁾	Kingston, ON	165	ISL/AL	C	33.0	3.6	36.6	15.2	Q4 2018	Q1 2022	95%	2.6	7.0%
		1,338			309.9	26.0	335.9	98.4					

(1) Current project status is defined where 'C' means 'Construction' and 'P' means 'Pre-Development'.

(2) Non-GAAP. The definition of this metric and the discussion of its significance can be found at the beginning of this section on page 7 of this MD&A.

(3) Non-GAAP; represents the total of Estimated Development Costs and Estimated Imputed Cost of Capital and Lease-up-Losses.

(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 172-suite residence. Chartwell owns a 50% interest in this project.

(6) We filed an application with the Ontario Ministry of Health and Long Term Care (the "MOH") to redevelop the existing 100-bed Class C LTC and 40-suite retirement residence into a 192-bed LTC residence. The MOH agreed to provide the additional 92 licensed LTC beds. The retirement operations have been discontinued at this location, however, the existing LTC operations will continue during this phased redevelopment.

(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 the property achieving the expected stabilized occupancy. Signature Living is entitled to a promote payment if the project's return on equity exceeds certain targets. Estimated Development Costs here include such estimated promote payment to Signature Living.

Projects by Batimo

In addition to our own development activities, we have built an important pipeline of future acquisition opportunities by participating in certain development projects conducted by Batimo in the province of Quebec. Batimo carries out development activities and we provide leasing, marketing and management services to these projects and in some cases, provide mezzanine financing. Pursuant to our agreements with Batimo, we have certain call rights to acquire, and Batimo has certain put rights which may require us to acquire, an 85% ownership interest in these properties upon achievement of expected stabilized occupancy levels, subject to certain conditions, at purchase prices based on the appraisal mechanism described in such agreements.

The following table summarizes the status of projects by Batimo as of the date of this MD&A:

Project	Location	Suites / Beds	Suite Type	Current Project Status ⁽¹⁾	Actual / Expected Completion Date	Expected Stabilized Occupancy Date
Chartwell L'Unique III	St. Eustache, QC	163	ISL	O	March 2017	Q4 2018
Chartwell Le Prescott	Vaudreuil, QC	324	ISL	O	June 2017	Q4 2019
Chartwell Le Montcalm	Candiac, QC	283	ISL	O	September 2017	Q1 2020
Chartwell St. Gabriel	St. Hubert, QC	345	ISL / AL	O	May 2018	Q4 2018
Chartwell Le Teasdale II	Terrebonne, QC	221	IL	C	Q3 2018	Q4 2019
Chartwell Greenfield Park	Longueuil, QC	368	ISL / AL	C	Q2 2019	Q2 2020
Chartwell L'Envol	Cap Rouge, QC	360	ISL / AL	C	Q3 2019	Q1 2021
Charlesbourg Project	Quebec City, QC	381	ISL / AL	P	Q4 2019	Q2 2021
Chartwell Atwater	Montreal, QC	339	ISL / AL / MC	P	Q2 2021	Q3 2023
		2,784				

(1) Current project status is defined where 'O' means 'Operating', 'C' means 'Construction' and 'P' means 'Pre-Development'.

Potential Developments on Owned Lands

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 (\$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 Muskoka Traditions Retirement Residence	Huntsville, 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 ⁽²⁾	Markham, ON	100	1.4	108	-
Chartwell Stillwater Creek Retirement Residence	Nepean, ON	100	0.5	32	0.6
Chartwell Wynfield Retirement Residence	Oshawa, ON	100	2.0	200	6.1
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 ⁽³⁾	Montreal, QC	50	4.7	72	-
Chartwell Manoir Saint-Jérôme résidence pour retraités	Saint-Jérôme, QC	50	6.0	668	0.4
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	0.3
Chartwell Royalcliffe Retirement Residence	London, ON	50	1.3	197	1.1
Total ⁽⁴⁾			36.7	2,998	28.2

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

(2) Leased lands.

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

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

On March 7, 2018, we acquired a parcel of land in Oshawa, Ontario adjacent to our Chartwell Wynfield Retirement Residence for \$6.1 million for the development of a 200-suite ISL apartment residence.

Acquisitions

On April 23, 2018, we completed the acquisition of four retirement communities in Edmonton, Alberta comprising 775 suites, for a contractual purchase price of \$297.4 million (the "Alberta Initial Portfolio") and entered into a forward purchase agreement to acquire an additional 256-suite residence upon completion of its development expected in Q4 2019 for a contractual purchase price of \$120.0 million. The vendor will provide \$7.5 million of income support to Chartwell for two years after opening.

On April 30, 2018, we entered into a definitive agreement to acquire a 104-suite ISL residence in Edmonton, Alberta for a contractual purchase price of \$20.0 million. The closing is expected in Q2 2018.

Dispositions

On February 6, 2018, we sold two 100%-owned and one 50%-owned non-core retirement residences in Quebec with an aggregate of 509 suites. The sale price, at Chartwell's share, was \$32.0 million before closing costs and other adjustments and was settled in cash.

Financings

On April 13, 2018, we entered into amending agreements with our banking syndicate to extend the maturity of our Credit Facilities by one year to May 29, 2021, reduce interest rates and amend certain covenants related to our unsecured credit facility. Please refer to the "Liquidity and Capital Resources" section on page 22 of this MD&A for more details.

On April 27, 2018 we issued \$150 million of 4.211% Series B unsecured debentures (the "Series B Debentures") due on April 28, 2025. DBRS Limited ("DBRS") assigned a "BBB (low)" credit rating with a "stable" trend to the Series B Debentures. The net proceeds were used to partially repay amounts outstanding on our Credit Facilities.

Joint Arrangements

'IFRS 11 – Joint Arrangements' classifies joint arrangements either as a joint operation or as a joint venture. Joint operations are joint arrangements in which the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for using proportionate consolidation. Joint ventures are joint arrangements in which the parties have rights to the net assets relating to the arrangement. Generally, where the party holds its interest in the joint arrangement through a separate legal entity, the joint arrangement will be classified as a joint venture. Joint ventures are accounted for using the equity method of consolidation. Chartwell does not independently control its joint arrangements which are accounted for using the equity method, and Chartwell's proportionate share of the financial position and results of operations of its investment in such joint arrangements, where presented and discussed in this MD&A using the proportionate consolidation method, does not necessarily represent Chartwell's legal claim to such items.

The following table summarizes the classification of properties which are owned through our joint arrangements or which are partially owned:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Classification under IFRS 11
Held directly:				
Chartwell-Welltower Landlord ("CWL")	37	7,246	50%	Joint operation
The Sumach by Chartwell	1	332	45%	Joint operation
Batimo	5	702	85%	N/A
Chartwell Riverside Retirement Residence	1	138	50%	Joint operation
Chartwell Churchill House Retirement Residence	1	98	50%	Joint operation
Held through separate legal entities:				
Chartwell-Welltower Operator	Same as CWL	Same as CWL	50%	Joint venture
Chartwell Oakville Retirement Residence	1	147	50%	Joint venture
Chartwell Constantia Retirement Residence	1	121	50%	Joint venture
Clair Hills Retirement Residence ⁽¹⁾	1	120	Refer to note ⁽¹⁾	Joint venture
Oak Ridges Retirement Residence ⁽¹⁾	1	129	Refer to note ⁽¹⁾	Joint venture
Kingston Project	1	165	60%	Joint venture

(1) These properties were acquired in a limited partnership structure in which Chartwell owns all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the applicable 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 Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, Chartwell 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.

On May 1, 2012, Chartwell and Welltower Inc. ("Welltower") acquired undivided interests in a portfolio of 39 properties (of which two were subsequently sold) where each of Chartwell's and Welltower's interests in the real estate are held directly and where each of our interests in the operations are held through separate legal entities. Chartwell is the property manager for this portfolio. As the real estate is held directly by each of Chartwell and Welltower, it is classified as a joint operation and accounted for on a proportionate consolidation basis. The operations of the related properties, for which Chartwell is the manager, are held through a separate legal entity and as a result are classified as a joint venture and are accounted for using the equity method of consolidation.

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. This joint arrangement is accounted for using the equity method of consolidation.

Consolidated Results of Operations

Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s)	Q1 2018	Q1 2017	Change
Resident revenue	193,605	180,279	13,326
Direct property operating expense	135,347	125,943	9,404
Net income/(loss)	15,514	(4,167)	19,681

Resident revenue increased \$13.3 million or 7.4% in Q1 2018 due to acquisitions and developments and revenue growth in our existing property portfolio.

Direct property operating expenses increased \$9.4 million or 7.5% in Q1 2018 due to acquisitions and developments and increased expenses in our existing property portfolio.

In Q1 2018, net income was \$15.5 million compared to net loss of \$4.2 million in Q1 2017. The increase in net income was primarily due to the gain on sale of properties, higher resident revenues and positive changes in fair values of financial instruments, partially offset by higher direct property operating, general administrative and Trust ("G&A"), depreciation and amortization expenses and finance costs.

FFO

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by GAAP. FFO as presented may not be comparable to similar measures used by other issuers. We present FFO substantially consistent with the definition adopted by REALPAC. This definition is included in this MD&A in the section "Non-GAAP Financial Measures".

We believe that the use of FFO, combined with the required primary GAAP presentations, is 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 property, plant and equipment ("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 financial and operating performance of our real estate portfolio between financial reporting periods.

Refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 40 of this MD&A for the reconciliation of Net Income/(Loss), the most closely comparable GAAP measure, to FFO and per unit amounts.

The following table presents FFO and FFO per unit diluted:

(\$000s, except per unit amounts)	Q1 2018	Q1 2017	Change
FFO	42,820	42,106	714
FFO per unit ⁽¹⁾	0.20	0.22	(0.02)

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Per Unit Amounts" section on page 42 of this MD&A for a discussion of the calculation of the per unit amounts.

For Q1 2018, FFO was \$42.8 million or \$0.20 per unit, compared to \$42.1 million or \$0.22 per unit in Q1 2017. The following items impacted the change in FFO:

- higher adjusted NOI of \$3.1 million consisting of a \$0.8 million increase in same property adjusted NOI and a \$2.3 million increase in contribution from acquisitions and developments; and
 - higher management fee revenue of \$1.0 million;
- partially offset by:
- higher G&A expenses of \$2.1 million;
 - higher financing costs of \$0.9 million; and
 - other items combined of \$0.4 million.

For Q1 2018, FFO per unit amounts were impacted by the issuance of 17.7 million Trust Units in Q4 2017 to finance the acquisition of the Alberta Initial Portfolio which did not close until April 23, 2018.

For Q1 2018, FFO was reduced by \$0.8 million of Lease-up-Losses related to our development projects (Q1 2017 – \$1.4 million).

Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI

The tables on the following pages of this section summarize our adjusted resident revenue, adjusted direct property operating expense and adjusted NOI and also include supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio. The supplemental disclosure of our same property portfolio and our acquisitions, development and other portfolio is non-GAAP and should not be construed as an alternative to GAAP measures. We use these groupings of properties to evaluate and monitor our financial and operating performance and we believe that this additional disclosure enhances the ability to understand and assess our results of operations and particularly to compare such results from period to period. The following provides definitions for each of these portfolio groupings as well as the composition of the portfolio included in the respective grouping for the current reporting period.

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 composition of our same property portfolio as at March 31, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	143	20,229	16,481
Long Term Care Operations	23	2,984	2,984
Total same property portfolio	166	23,213	19,465

Acquisitions, Development and Other Portfolio

Our acquisitions, development and other portfolio includes properties that were acquired after January 1, 2017, newly developed properties, properties that are undergoing a significant redevelopment and properties where we have added or expect to add significant capacity in the current year. Generally, such properties are operating at occupancy levels below their expected stabilized occupancies.

The following table summarizes the composition of the acquisitions, development and other portfolio as at March 31, 2018:

	Properties	Suites/Beds	Suites/Beds at Chartwell's Share of Ownership
Retirement Operations	14	1,859	1,713
Long Term Care Operations	1	100	100
Total acquisitions, development and other portfolio	15	1,959	1,813

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and identifies contributions from our same property and acquisition, development and other portfolios:

(\$000s, except occupancy rates)	Q1 2018	Q1 2017	Change
Resident revenue	193,605	180,279	13,326
Add: Share of resident revenue from joint ventures ⁽¹⁾	30,957	30,834	123
Adjusted resident revenue ⁽²⁾	224,562	211,113	13,449
Comprised of:			
Same property ⁽²⁾	206,456	199,890	6,566
Acquisitions, development and other ⁽²⁾	18,106	11,223	6,883
Adjusted resident revenue ⁽²⁾	224,562	211,113	13,449
Direct property operating expense	135,347	125,943	9,404
Add: Share of direct property operating expenses from joint ventures ⁽³⁾	19,752	18,805	947
Adjusted direct property operating expense ⁽²⁾	155,099	144,748	10,351
Comprised of:			
Same property ⁽²⁾	140,408	134,662	5,746
Acquisitions, development and other ⁽²⁾	14,691	10,086	4,605
Adjusted direct property operating expense ⁽²⁾	155,099	144,748	10,351
Adjusted NOI ⁽²⁾	69,463	66,365	3,098
Comprised of:			
Same property ⁽²⁾	66,048	65,228	820
Acquisitions, development and other ⁽²⁾	3,415	1,137	2,278
Adjusted NOI ⁽²⁾	69,463	66,365	3,098
Weighted average occupancy rate - same property portfolio	92.1%	92.7%	(0.6pp)
Weighted average occupancy rate - total portfolio	91.1%	91.2%	(0.1pp)

(1) Share of resident revenue from joint ventures represents Chartwell's pro rata share of the resident revenue of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 12 of this MD&A.

(2) Non-GAAP; refer to the preamble to this table and the "Results of Operations by Reportable Segment" section on page 16 of this MD&A for explanations and discussion of the significance of these metrics.

(3) Share of direct property operating expenses from joint ventures represents Chartwell's pro rata share of the direct property operating expenses of our Equity-Accounted JVs as referenced in the notes to our Financial Statements and as described in the "Joint Arrangements" section on page 12 of this MD&A.

Adjusted resident revenue increased 6.4% in Q1 2018, due to a 3.3% increase in same property adjusted resident revenue and a growing contribution from acquisitions and developments. Same property adjusted resident revenue increased primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 7.2% in Q1 2018, due to a 4.3% increase in same property adjusted direct operating expense and growth in acquisitions and developments. The increase

in same property adjusted direct operating expense was primarily due to higher staffing costs, marketing, property tax and food expenses, partially offset by lower utilities expenses.

Adjusted NOI increased \$3.1 million or 4.7% in Q1 2018, due to a \$0.8 million or 1.3% growth in same property adjusted NOI and growing contributions from acquisitions and developments. In Q1 2018, combined same property occupancy was 92.1% compared to 92.7% in Q1 2017.

Results of Operations by Reportable Segment

We monitor and operate our retirement and long term care properties separately. The Retirement Operations segment includes 157 communities that we own and operate in Canada. The retirement communities provide services to age-qualified residents at rates, in most cases, set by Chartwell based on the services provided and market conditions. The Long Term Care Operations segment represents 24 communities in Ontario. Admission and funding for the long term care communities is overseen by local government agencies in each province. 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.

The accounting policies of each of the segments are the same as those for Chartwell except that these segments include Chartwell's proportionate share of its joint ventures. Certain G&A expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is adjusted NOI (which is resident revenue less direct property operating expense, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expense, respectively).

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	104	771	10,669	673	136	484	12,733
50% owned	39	572	6,502	359	63	-	7,496
Total same property owned	143	1,343	17,171	1,032	199	484	20,229
Acquisitions, Development & Other							
100% owned – operating	8	40	757	245	33	-	1,075
Partially owned – operating ⁽¹⁾	6	-	652	115	17	-	784
Total acquisitions, development & other	14	40	1,409	360	50	-	1,859
Total	157	1,383	18,580	1,392	249	484	22,088

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

During Q1 2018, we sold three non-core retirement residences in Quebec with an aggregate 509 suites.

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

(\$000s, except occupancy rates)	Q1 2018	Q1 2017	Change
Adjusted resident revenue	168,206	156,628	11,578
<i>Comprised of:</i>			
Same property ⁽¹⁾	151,921	147,323	4,598
Acquisitions, development and other ⁽¹⁾	16,285	9,305	6,980
Adjusted direct property operating expense	104,843	96,554	8,289
<i>Comprised of:</i>			
Same property ⁽¹⁾	92,012	88,363	3,649
Acquisitions, development and other ⁽¹⁾	12,831	8,191	4,640
Adjusted NOI	63,363	60,074	3,289
<i>Comprised of:</i>			
Same property ⁽¹⁾	59,909	58,960	949
Acquisitions, development and other ⁽¹⁾	3,454	1,114	2,340
Weighted average occupancy rate - same property	91.1%	91.7%	(0.6pp)
Weighted average occupancy rate - total portfolio	90.0%	90.2%	(0.2pp)

(1) Non-GAAP; refer to the preamble to this table and to the introduction in the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted resident revenue increased 7.4% in Q1 2018, primarily due to a 3.1% increase in same property adjusted resident revenue and a growing contribution from our acquisitions and developments.

The increase in same property adjusted resident revenue was primarily due to rental rate increases in line with competitive market conditions, partially offset by lower occupancies.

Adjusted direct property operating expense increased 8.6% in Q1 2018, primarily due to a 4.1% increase in same property adjusted direct operating expense and growth in our acquisitions, development and other portfolio.

The increase in same property adjusted direct operating expense was primarily due to higher staffing costs partially timing related, higher marketing, property tax and food expenses, partially offset by lower utilities expenses.

Same property adjusted NOI increased \$0.9 million or 1.6% in Q1 2018 as follows:

- Our Ontario platform same property adjusted NOI increased \$0.8 million or 2.6%, as rental rate increases in line with competitive market conditions and lower utilities expenses were partially offset by lower occupancies and higher staffing costs, property tax and marketing expenses.
- Our Western Canada platform same property adjusted NOI increased \$0.3 million or 2.4%, primarily due to rental rate increases in line with competitive market conditions, partially offset by higher staffing costs.
- Our Quebec platform same property adjusted NOI decreased \$0.2 million or 1.2%, primarily due to lower occupancies and higher staffing costs, partially offset by rental rate increases in line with competitive market conditions and lower utilities expenses.

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

	Q1 2018	Q1 2017	Change	Q4 2017	Change
Ontario	88.2%	88.6%	(0.4pp)	88.8%	(0.6pp)
Western Canada	96.2%	96.2%	-	97.1%	(0.9pp)
Quebec	92.3%	93.5%	(1.2pp)	93.2%	(0.9pp)
Total	91.1%	91.7%	(0.6pp)	91.8%	(0.7pp)

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⁾	1	-	-	-	-	100	100
Total	24	-	84	-	-	3,000	3,084

(1) Includes one Class C residence subject to redevelopment where certain pre-development activities have begun.

In Q1 2018, we ceased operations of 49 retirement suites attached to the existing LTC residence which is undergoing phased redevelopment.

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

(\$000s, except occupancy rates)	Q1 2018	Q1 2017	Change
Adjusted resident revenue	56,356	54,485	1,871
Comprised of:			
Same property ⁽¹⁾	54,535	52,567	1,968
Acquisitions, development and other ⁽¹⁾	1,821	1,918	(97)
Adjusted direct property operating expenses	50,256	48,194	2,062
Comprised of:			
Same property ⁽¹⁾	48,396	46,299	2,097
Acquisitions, development and other ⁽¹⁾	1,860	1,895	(35)
Adjusted NOI	6,100	6,291	(191)
Comprised of:			
Same property ⁽¹⁾	6,139	6,268	(129)
Acquisitions, development and other ⁽¹⁾	(39)	23	(62)
Weighted average occupancy rate - same property	97.7%	98.0%	(0.3pp)
Weighted average occupancy rate - total portfolio	97.7%	97.3%	0.4pp

(1) Non-GAAP; refer to the preamble to this table and to the introduction in "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Adjusted NOI decreased \$0.2 million or 3.0% in Q1 2018, primarily due to a 2.1% decrease in adjusted NOI in the same property portfolio.

The decrease in same property adjusted NOI was primarily due to timing of certain expenses.

Weighted average occupancy in the same property portfolio was 97.7% in Q1 2018 compared to 98.0% in Q1 2017.

Management Fee Revenue

(\$000s)	Q1 2018	Q1 2017	Change
Welltower	2,608	1,704	904
Other	702	575	127
Total management fee revenue	3,310	2,279	1,031

Management fee revenue increased in Q1 2018 primarily due to higher fees from Welltower.

Interest Income

(\$000s)	Q1 2018	Q1 2017	Change
Interest income on loans receivable	183	252	(69)
Interest income on capital funding	674	753	(79)
Other interest income	114	84	30
Total interest income	971	1,089	(118)

In Q1 2018, interest income on loans receivable and capital funding decreased primarily due to lower receivable balances.

General, Administrative and Trust Expenses

(\$000s)	Q1 2018	Q1 2017	Change
G&A expenses	12,530	10,405	2,125

In Q1 2018, G&A expenses increased \$2.1 million primarily due to higher staffing costs incurred to support the growing property portfolio and development activities, including management of Batimo projects, as well as higher training and education costs which were partially timing related.

Finance Costs

(\$000s)	Q1 2018	Q1 2017	Change
Contractual interest expense on mortgages	15,493	15,764	(271)
Comprised of:			
Same property ⁽¹⁾	14,658	15,281	(623)
Acquisitions, development and other ⁽¹⁾	835	483	352
Series A Unsecured Debentures	1,867	-	1,867
Credit facility and other interest expense	445	1,347	(902)
	17,805	17,111	694
Amortization of financing costs and debt mark-to-market adjustments	354	(206)	560
	18,159	16,905	1,254
Interest capitalized to properties under development	(865)	(564)	(301)
Distributions on Class B Units recorded as interest expense	239	243	(4)
Total finance costs	17,533	16,584	949

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Interest expense on the same property portfolio decreased \$0.6 million in Q1 2018 primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

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

Credit facility and other interest expense decreased \$0.9 million in Q1 2018 primarily due to lower average balances outstanding over the period as the balances outstanding on the Credit Facilities were repaid from the proceeds of the offering of our Trust Units completed in November 2017.

Amortization of financing costs and debt mark-to-market adjustments increased \$0.6 million in Q1 2018 primarily due to accelerated amortization of financing costs due to early repayment of mortgages and additional costs for obtaining new financing.

Interest capitalized to properties under development increased \$0.3 million in Q1 2018 primarily due to higher levels of development activity.

The following table provides supplemental information related to finance costs for our Equity-Accounted JVs:

(\$000s)	Q1 2018	Q1 2017	Change
Mortgage and loans payable	488	540	(52)
Comprised of:			
Same property ⁽¹⁾	206	207	(1)
Acquisitions, development and other ⁽¹⁾	282	333	(51)
Amortization of financing costs and debt mark-to-market adjustments	60	14	46
Interest capitalized to properties under development	(72)	-	(72)
Total finance costs	476	554	(78)

(1) Non-GAAP; refer to the "Adjusted Resident Revenue, Adjusted Direct Property Operating Expenses and Adjusted NOI" section on page 14 of this MD&A for explanations of 'Same property' and 'Acquisitions, development and other' and the significance of these metrics.

Other Income/(Expense)

(\$000s)	Q1 2018	Q1 2017	Change
Transaction costs arising on business acquisitions and dispositions	(827)	(1,600)	773
Gain/(loss) on sale of assets	13,712	38	13,674
Other income	134	290	(156)
Property lease expense	(99)	(99)	-
Total other income/(expense)	12,920	(1,371)	14,291

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.

Gain on sale of assets includes \$11.8 million related to the sale of three non-core properties in Quebec.

Other Items

(\$000s)	Q1 2018	Q1 2017	Change
Depreciation of PP&E	(40,363)	(37,578)	(2,785)
Amortization of intangible assets	(412)	(497)	85
Changes in fair value of financial instruments and foreign exchange gain/(loss)	1,908	(4,501)	6,409
Current income tax expense	(8)	-	(8)
Deferred income tax benefit	28	-	28

Depreciation of PP&E increased \$2.8 million in Q1 2018 primarily due to depreciation of properties acquired in 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.

Cash Flow Analysis

The following table summarizes the significant changes in our operating, financing and investing cash flows between Q1 2018 and Q1 2017 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	3.5	Change in cash flows from operating activities is primarily due to higher adjusted NOI.
Financing activities	(67.1)	Change in cash flows from financing activities is primarily due to lower proceeds from mortgage financings and Credit Facilities.
Investing activities	16.7	Change in cash flows from investing activities is primarily due to higher proceeds from disposal of assets and no cash used for acquisitions, partially offset by increased contributions to joint ventures and additions to PP&E.

Liquidity and Capital Resources

Liquidity

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

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

At March 31, 2018 our liquidity was \$369.8 million consisting of cash and cash equivalents of \$15.4 million and \$354.4 million available borrowing capacity under our Credit Facilities as presented in the following table:

(\$000s)	March 31, 2018	December 31, 2017
Cash and cash equivalents	15,356	44,751
Available under Credit Facilities	354,406	331,221
Total	369,762	375,972

In addition, at March 31, 2018, our share of cash and cash equivalents held in our Equity-Accounted JVs was \$7.1 million.

As at March 31, 2018, our current liabilities totalled \$309.8 million, exceeding current assets of \$71.8 million, resulting in a working capital deficiency of \$238.0 million. Current liabilities includes an amount of \$161.3 million of current mortgages payable, comprised of \$99.9 million related to maturing balances which are expected to be renewed on maturity, \$59.0 million related to regular principal amortization and \$2.4 million related to the balance of unamortized mark-to-market adjustments net of unamortized financing costs. These, and other contractual obligations and contingencies, including those resulting from the agreements with Batimo are discussed in the “Commitments and Contingencies” section on page 38 of this MD&A. We expect to be able to meet all of our obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from our operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities. In addition, subject to market conditions, Chartwell may seek to raise funding through new senior unsecured debentures or equity financing. Please refer to the “” section on page 7 of this MD&A for transactions and financings completed subsequent to March 31, 2018.

Debt

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

- accessing low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- managing interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year;
- proactively managing our short-term maturities and where appropriate, refinancing maturing mortgages with long-term debt; and
- growing our unencumbered asset pool.

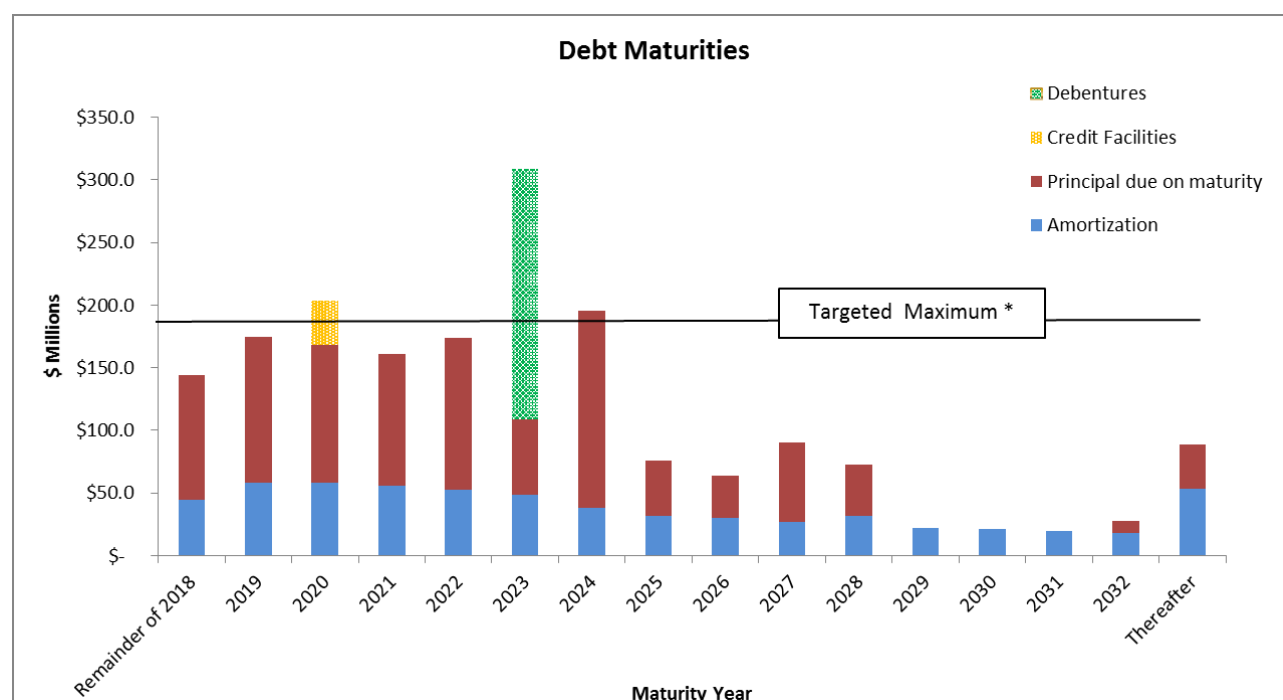
The following table summarizes the components of the principal balance of our debt at March 31, 2018 and December 31, 2017:

(\$000s)	March 31, 2018	December 31, 2017
Principal balance of mortgages payable	1,607,332	1,629,935
Credit Facilities	35,000	-
Principal balance of Series A Debentures	200,000	200,000
Principal balance of total debt	1,842,332	1,829,935

The following table summarizes the scheduled principal maturity and weighted average interest rates for our debt portfolio:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate	Senior Unsecured Debentures	Weighted Average Interest Rate	Credit Facilities	Weighted Average Interest Rate	Total	Consolidated Weighted Average Interest Rate
Remainder of 2018	44,388	99,940	144,328	3.92%	-	-	-	-	144,328	3.92%
2019	58,429	116,007	174,436	3.39%	-	-	-	-	174,436	3.39%
2020	58,103	110,227	168,330	3.97%	-	-	35,000	4.10%	203,330	3.99%
2021	56,026	105,277	161,303	4.10%	-	-	-	-	161,303	4.10%
2022	52,583	121,563	174,146	3.65%	-	-	-	-	174,146	3.65%
2023	48,329	60,419	108,748	4.16%	200,000	3.79%	-	-	308,748	3.92%
2024	38,428	156,797	195,225	3.97%	-	-	-	-	195,225	3.97%
2025	31,549	44,335	75,884	3.35%	-	-	-	-	75,884	3.35%
2026	29,891	33,830	63,721	3.23%	-	-	-	-	63,721	3.23%
2027	26,888	63,176	90,064	3.22%	-	-	-	-	90,064	3.22%
2028	31,275	40,958	72,233	3.96%	-	-	-	-	72,233	3.96%
2029	22,261	-	22,261	4.75%	-	-	-	-	22,261	4.75%
2030	20,881	-	20,881	4.88%	-	-	-	-	20,881	4.88%
2031	19,434	-	19,434	4.94%	-	-	-	-	19,434	4.94%
2032	17,885	9,654	27,539	4.92%	-	-	-	-	27,539	4.92%
Thereafter	53,547	35,252	88,799	3.99%	-	-	-	-	88,799	3.99%
Total	609,897	997,435	1,607,332	3.84%	200,000	3.79%	35,000	4.10%	1,842,332	3.84%

The following chart provides a breakdown of our debt maturities:



* 10% of total debt = \$184.2 million

Mortgage Debt

The following table summarizes the changes in the principal balance of our mortgage portfolio in Q1 2018:

	Balance (\$000s)	Weighted Average Term to Maturity (Years)	Weighted Average Interest Rate of Maturing Debt	% CMHC Insured
Principal balance at December 31, 2017	1,629,935	7.8	3.86%	72%
Matured in the period	(18,337)	-	4.82%	100%
Bridge loans repaid prior to maturity	-	-	-	-
Assumed on acquisitions of properties	-	-	-	-
New mortgage financing	10,999	7.5	3.13%	71%
Regular amortizing principal repayments	(15,265)	N/A	N/A	N/A
Loan related to asset held for sale	-	-	-	-
Principal balance at March 31, 2018	1,607,332	7.6	3.84%	72%
Mark-to-market adjustments arising on acquisitions	15,125			
Financing costs	(30,998)			
Mortgages payable at March 31, 2018	1,591,459			

New mortgage financing includes a new CMHC-insured mortgage of \$7.8 million with a weighted average interest rate of 3.12% and weighted average term of 10 years, and construction funding for one property under development of \$3.2 million with a weighted average interest rate of 3.16% and weighted average term of 1.8 years.

The following table provides selected financial statistics for our mortgage debt portfolio:

	At March 31, 2018		At December 31, 2017	
	Fixed Rate	Variable Rate	Total	Total
Principal amount (\$000s)	1,588,534	18,798	1,607,332	1,629,935
Weighted average interest rate	3.85%	3.57%	3.84%	3.86%
Average term to maturity (years)	7.6	6.1	7.6	7.8

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). As of March 31, 2018, approximately 72% 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 tables are supplemental information and summarize the components of our debt at March 31, 2018 and December 31, 2017 for our Equity-Accounted JVs:

(\$000s)	March 31, 2018	December 31, 2017
Principal balance of mortgages payable	58,019	83,954
Financing costs	(56)	(117)
Mortgages payable at March 31, 2018	57,963	83,837

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total Mortgages	Weighted Average Interest Rate
Remainder of 2018	118	20,286	20,404	3.93%
2019	-	-	-	-
2020	-	30,000	30,000	2.35%
2021	-	7,615	7,615	4.05%
2022 and thereafter	-	-	-	-
Total	118	57,901	58,019	3.13%

Credit Facilities

At March 31, 2018, we had two Credit Facilities with the total maximum borrowing capacity of \$400.0 million. The following table summarizes the available borrowing capacity on these Credit Facilities:

(\$ millions)	Maximum Capacity	Available Capacity	Utilized for Letters of Credit	Borrowed	Available
Unsecured Credit Facility ⁽¹⁾	100.0	100.0	-	-	100.0
Secured Credit Facility	300.0	294.9	5.4	35.0	254.5
Total Credit Facilities	400.0	394.9	5.4	35.0	354.5

(1) An option to increase borrowing capacity by an additional \$50.0 million is available, subject to certain conditions.

The amounts borrowed under the Secured Credit Facility in Q1 2018 were subject to an interest rate of bank's prime rate ("Prime") plus 65 basis points ("bps") or Banker's Acceptance rate ("BA") plus 165 bps.

On April 3, 2018, we entered into amending agreements with our banking syndicate with the following key terms:

- Maturity date of the Credit Facilities was extended by one year to May 29, 2021.
- Pricing of Credit Facilities was amended to tie to Chartwell's credit rating. At the current BBB(low) rating, amounts borrowed under the Secured Credit Facility will bear interest at Prime plus 65 bps or BA plus 165 bps and amounts borrowed under the Unsecured Credit Facility will bear interest at Prime plus 70 bps or BA plus 170 bps.
- Unencumbered asset coverage covenant under the Unsecured Credit Facility was amended to allow certain non-stabilized and jointly-owned assets to be included in the unencumbered asset pool and the coverage requirement was reduced from 1.5 to 1.3.

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

Senior Unsecured Debentures

On June 9, 2017, we issued \$200.0 million of 3.786% Series A Senior Unsecured Debentures (the "Series A Debentures") due on December 11, 2023, with semi-annual interest payments due on June 11 and December 11 of each year commencing December 11, 2017. Debt financing costs of \$1.5 million were incurred and recorded against the principal owing.

The following table summarizes the balance of our Series A Debentures:

(\$000s)	As at March 31, 2018	As at December 31, 2017
Series A Debentures outstanding	200,000	200,000
Unamortized financing costs	(1,377)	(1,407)
Carrying value	198,623	198,593

On April 27, 2018, we issued \$150 million of 4.211% Series B Senior Unsecured Debentures (the "Series B Debentures") due on April 28, 2025.

Credit Rating

Chartwell's credit rating for our Series A Debentures and Series B Debentures (collectively, the "Debentures") is summarized below:

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

Long-term ratings assigned by DBRS provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. DBRS' long-term credit ratings scale ranges from "AAA" (typically assigned to obligations of the highest credit quality) to "D" (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated "BBB" by DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

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

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

Financial Covenants

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

All covenant calculations in this section are based on the definitions of various financial metrics as negotiated with the lenders and agents and as reflected in our Amended and Restated Credit Agreements for Secured and Unsecured Facilities dated May 29, 2017 (together, the "Credit Agreements"), and in the trust indentures for the Debentures. These covenants are calculated in accordance with the respective agreement and may not be comparable to similar metrics used by other entities or to any GAAP measure.

Credit Facilities

1. Debt Service Coverage Ratio for Credit Facilities

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

(\$000s, except debt service coverage ratio)	Rolling 12 months March 31, 2018	Rolling 12 months December 31, 2017
Consolidated EBITDA for Credit Facilities ⁽¹⁾	264,757	262,928
Consolidated interest expense for Credit Facilities ⁽²⁾	75,143	74,501
Consolidated regularly-scheduled debt principal payments for Credit Facilities ⁽³⁾	59,665	58,238
Consolidated debt service payments for Credit Facilities	134,808	132,739
Debt service coverage ratio for Credit Facilities	1.96	1.98

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 30 of this MD&A for the calculation of consolidated EBITDA for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 31 of this MD&A for the calculation of consolidated interest expense for Credit Facilities.

(3) Refer to the "Supporting Covenant Calculations – 3. Regularly-Scheduled Debt Principal Payments for Credit Facilities" section on page 31 of this MD&A for the calculation of consolidated regularly-scheduled debt principal payments for Credit Facilities.

2. Total Leverage Ratio for Credit Facilities

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

(\$000s, except total leverage ratio)	As at March 31, 2018	As at December 31, 2017
Consolidated indebtedness for Credit Facilities ⁽¹⁾	1,914,513	1,940,719
Adjusted consolidated gross book value of assets for Credit Facilities ⁽²⁾	4,139,007	4,157,365
Total leverage ratio for Credit Facilities	46.3%	46.7%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of consolidated indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 33 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

3. Adjusted Consolidated Unitholders' Equity Ratio for Credit Facilities

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

At March 31, 2018, the minimum adjusted consolidated unitholders' equity requirement was \$1,194 million.

(\$000s)	As at March 31, 2018	As at December 31, 2017
Unitholders' equity per Financial Statements	1,000,698	1,010,167
Adjustment for accumulated depreciation and amortization for Credit Facilities ⁽¹⁾	811,902	785,563
Class B Units	25,803	26,808
Deferred Trust Units ("DTUs")	14,011	14,186
Adjusted consolidated unitholders' equity for Credit Facilities	1,852,414	1,836,724

(1) Includes accumulated depreciation and amortization of equity-accounted investments of \$27.6 million at March 31, 2018 (\$26.1 million at December 31, 2017) and fully amortized assets of \$181.2 million at March 31, 2018 (\$182.9 million at December 31, 2017).

4. Payment of Cash Distributions for Credit Facilities

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

(\$000s, except percentage of AFFO)	2018 YTD	2017 YTD
Distributions declared on Trust Units	30,597	27,147
Distributions on Class B Units	239	243
Distributions on DTUs	126	131
Total distributions for Credit Facilities	30,962	27,521
Less:		
Non-cash distributions settled by DRIP	5,322	5,000
Non-cash distributions applied to Executive Unit Purchase Plan ("EUPP")	209	212
Non-cash distributions applied to DTUs	126	131
Cash distributions for Credit Facilities	25,305	22,178
AFFO for Credit Facilities ⁽¹⁾	40,667	38,820
Cash distributions as a percentage of AFFO for Credit Facilities	62.2%	57.1%

(1) Refer to the "Supporting Covenant Calculations – 6. Adjusted Funds from Operations for Credit Facilities" section on page 33 of this MD&A for the calculation of AFFO for Credit Facilities.

5. Investment Restrictions for Credit Facilities

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

(\$000s)	Threshold as of March 31, 2018	As at March 31, 2018	As at December 31, 2017
Non-qualifying joint ventures and investments ⁽¹⁾	206,950	-	-
Mortgage receivables ⁽²⁾	620,851	10,722	6,753
Investments in property held for development/construction as defined in the Credit Facilities ⁽²⁾	620,851	138,701	114,175
Combined ⁽³⁾	1,034,752	149,423	120,928

(1) Limit of 5% of adjusted consolidated gross book value of assets for Credit Facilities.

(2) Limit of 15% of adjusted consolidated gross book value of assets for Credit Facilities.

(3) Limit of 25% of adjusted consolidated gross book value of assets for Credit Facilities.

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

6. Secured Indebtedness Ratio for the Unsecured Credit Facility

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

(\$000s, except secured indebtedness ratio)	As at March 31, 2018	As at December 31, 2017
Secured indebtedness for the Unsecured Credit Facility ⁽¹⁾	1,700,351	1,713,889
Adjusted consolidated gross book value of assets for Credit Facilities ⁽²⁾	4,139,007	4,157,365
Secured indebtedness ratio for the Unsecured Credit Facility	41.1%	41.2%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of secured indebtedness for Credit Facilities.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 33 of this MD&A for the calculation of adjusted consolidated gross book value of assets for Credit Facilities.

7. Unencumbered Property Asset Ratio for the Unsecured Credit Facility

We are required to maintain the unencumbered property asset value at more than 1.5 times (1.3 times effective April 3, 2018) our consolidated unsecured indebtedness. For the purposes of calculating the unencumbered property asset ratio covenant under our Unsecured Credit Facility, only wholly-owned assets with occupancy above 80% can be included, with valuations completed through third-party appraisals.

(\$000s, except unencumbered property asset ratio)	March 31, 2018	December 31, 2017
Unencumbered property asset value for the Unsecured Credit Facility ⁽¹⁾	556,000	405,200
Unsecured indebtedness for the Unsecured Credit Facility ⁽²⁾	214,162	226,830
Unencumbered property asset ratio for the Unsecured Credit Facility	2.6	1.8

(1) Includes 24 properties valued at \$556.0 million as of March 31, 2018 (17 properties valued at \$405.2 million as of December 31, 2017) with valuations completed through third-party appraisals.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of unsecured indebtedness for Credit Facilities.

Debentures

1. Consolidated EBITDA to Consolidated Interest Expense Ratio for Debentures ("Interest Coverage Ratio for Debentures")

We are required at all times to maintain an Interest Coverage Ratio for Debentures of not less than 1.65 on a proforma basis and calculated based on the definitions for the Debentures.

(\$000s, except Interest Coverage Ratio)	Rolling 12 months March 31, 2018	Rolling 12 months December 31, 2017
Consolidated EBITDA for Debentures ⁽¹⁾	282,272	266,831
Consolidated interest expense for Debentures ⁽²⁾	87,722	76,546
Interest Coverage Ratio for Debentures	3.2	3.5

(1) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 30 of this MD&A for the calculation of consolidated EBITDA for the Debentures.

(2) Refer to the "Supporting Covenant Calculations – 2. Consolidated Interest Expense for Credit Facilities and Debentures" section on page 31 of this MD&A for the calculation of consolidated interest expense for the Debentures.

2. Indebtedness Percentage for Debentures

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

(\$000s, except indebtedness percentage)	March 31, 2018	December 31, 2017
Consolidated indebtedness for Debentures ⁽¹⁾	2,178,070	1,832,269
Aggregate adjusted assets for Debentures ⁽²⁾	4,413,943	4,074,842
Indebtedness percentage for Debentures	49.3%	45.0%

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of consolidated indebtedness for the Debentures.

(2) Refer to the "Supporting Covenant Calculations – 5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures" section on page 33 of this MD&A for the calculation of aggregate adjusted assets for the Debentures.

3. Coverage Ratio for Debentures

We are required to maintain a ratio of unencumbered aggregate adjusted assets to the aggregate principal amount of outstanding consolidated unsecured indebtedness of not less than 1.3 on a proforma basis giving effect to the transactions completed from June 30, 2017 to the date of this MD&A and calculated based on the definition in the Supplemental Trust Indentures.

(\$000s, except ratio)	March 31, 2018	December 31, 2017
Unencumbered aggregate adjusted assets for Debentures ⁽¹⁾	605,800	455,000
Unsecured indebtedness for Debentures ⁽²⁾	352,783	202,739
Coverage ratio for Debentures	1.7	2.2

(1) Includes 29 properties valued at \$605.8 million as of March 31, 2018 (22 properties valued at \$455.0 million as of December 31, 2017) with valuations completed through third-party appraisals.

(2) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of unsecured indebtedness for the Debentures.

Supporting Covenant Calculations

1. Consolidated EBITDA for Credit Facilities and Debentures

The following table provides the calculation of consolidated EBITDA for the Credit Facilities and Debentures.

(\$000s)	Rolling 12 months December 31, 2017	Subtract: 2017 YTD	Add: 2018 YTD	Rolling 12 months March 31, 2018
Net income/(loss) – continuing operations	13,082	(4,167)	15,514	32,763
Loss/(gain) on sale of assets ⁽¹⁾	(704)	(36)	(13,662)	(14,330)
Transaction costs	7,540	1,600	827	6,767
Non-cash changes in fair value of financial instruments and foreign exchange gains/(losses) ⁽¹⁾	3,124	4,880	(1,859)	(3,615)
Impairment of PP&E	-	-	-	-
Gain on remeasurement of fair value of existing interest	-	-	-	-
Consolidated net income for Credit Facilities	23,042	2,277	820	21,585
Consolidated finance costs ⁽¹⁾	73,378	17,138	18,009	74,249
Consolidated depreciation and amortization ⁽¹⁾	160,935	40,131	42,487	163,291
Consolidated income tax expense/(benefit)	(89)	-	(20)	(109)
Principal portion of capital funding	5,662	1,386	1,465	5,741
Consolidated EBITDA for Credit Facilities	262,928	60,932	62,761	264,757
Proforma adjustments ⁽²⁾	3,903			17,515
Consolidated EBITDA for Debentures	266,831			282,272

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Adjusted to reflect a full-year impact of acquisitions and dispositions completed during the reporting period and up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

2. Consolidated Interest Expense for Credit Facilities and Debentures

The following table provides the calculation of consolidated interest expense for Credit Facilities and Debentures.

(\$000s)	Rolling 12 months December 31, 2017	Subtract: 2017 YTD	Add: 2018 YTD	Rolling 12 months March 31, 2018
Interest on mortgages ⁽¹⁾	65,484	16,304	15,981	65,161
Interest on Debentures	4,274	-	1,867	6,141
Interest on Credit Facilities	4,743	1,347	445	3,841
Consolidated interest expense for Credit Facilities	74,501	17,651	18,293	75,143
Proforma adjustments ⁽²⁾	2,045			12,579
Consolidated interest expense for Debentures	76,546			87,722

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period up to the date of this MD&A, on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

3. Regularly-Scheduled Debt Principal Payments for Credit Facilities

The following table summarizes regularly-scheduled principal debt payments for the Credit Facilities.

(\$000s)	Rolling 12 months December 31, 2017	Subtract: 2017 YTD	Add: 2018 YTD	Rolling 12 months March 31, 2018
Regularly-scheduled debt principal payments per Financial Statements	57,856	13,931	15,265	59,190
Regularly-scheduled debt principal payments for equity-accounted entities	382	79	172	475
Regularly-scheduled debt principal payments for Credit Facilities	58,238	14,010	15,437	59,665

4. Consolidated Indebtedness for Credit Facilities and Debentures

The following table provides the calculation of consolidated indebtedness for Credit Facilities and Debentures.

(\$000s)	March 31, 2018	December 31, 2017
Principal balance of mortgages payable	1,607,332	1,629,935
Principal balance of mortgages payable related to Equity-Accounted JVs	58,019	83,954
Outstanding amount on the Secured Credit Facility	35,000	-
Secured indebtedness for the Unsecured Credit Facility	1,700,351	1,713,889
Principal balance of Debentures	200,000	200,000
Deferred purchase consideration	1,506	1,506
Capital lease obligations	1,277	1,233
Unsecured indebtedness for Debentures, before proforma adjustments	202,783	202,739
Outstanding letters of credit	5,449	4,655
Third-party guarantees	5,930	19,436
Unsecured indebtedness for Credit Facilities	214,162	226,830
Consolidated indebtedness for Credit Facilities	1,914,513	1,940,719
<i>Add (Subtract):</i>		
Outstanding letters of credit	(5,449)	(4,655)
Third-party guarantees	(5,930)	(19,436)
Cash and cash equivalents	(15,356)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(7,108)	(7,608)
Proforma adjustments ⁽¹⁾	297,400	(32,000)
Consolidated indebtedness for Debentures	2,178,070	1,832,269

(1) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

(\$000s)	March 31, 2018	December 31, 2017
Unsecured indebtedness for Debentures, before proforma adjustments	202,783	202,739
Proforma adjustments ⁽¹⁾	150,000	-
Unsecured indebtedness for Debentures	352,783	202,739

(1) Reflects the issuance of Series B Debentures in April 2018 and the utilization of the net proceeds for partial repayment of amounts outstanding on our Credit Facilities.

5. Adjusted Consolidated Gross Book Value of Assets for Credit Facilities and Aggregate Adjusted Assets for Debentures

The following table provides the calculations of both the adjusted consolidated gross book value of assets for Credit Facilities and the aggregate adjusted assets for Debentures.

(\$000s)	March 31, 2018	December 31, 2017
Book value of assets ⁽¹⁾	3,056,141	3,095,359
Gross book value adjustment on IFRS transition ⁽²⁾	270,964	276,443
Accumulated depreciation and amortization	811,902	785,563
Adjusted consolidated gross book value of assets for Credit Facilities	4,139,007	4,157,365
<i>Add (Subtract):</i>		
Cash and cash equivalents	(15,356)	(44,751)
Cash and cash equivalents of Equity-Accounted JVs	(7,108)	(7,608)
Proforma adjustments ⁽³⁾	297,400	(30,164)
Aggregate adjusted assets for Debentures	4,413,943	4,074,842

(1) Non-GAAP; includes Chartwell's proportionate share of Equity-Accounted JVs.

(2) The change from December 31, 2017 is due to the sale of three properties in Quebec in Q1 2018.

(3) Adjusted to reflect a full-year impact of acquisitions, dispositions and financings completed during the reporting period and up to the date of this MD&A on a proforma basis, and excludes assets held for sale and announced acquisitions which have not closed as of the date of this MD&A.

6. Adjusted Funds from Operations for Credit Facilities

AFFO for Credit Facilities is calculated based on the definition used in our Credit Agreements and is likely not comparable to similar measures used by other entities. In accordance with the Credit Agreements, AFFO is calculated by adding or subtracting certain items measured to or from FFO as follows where, as required by the agreement, all such items are adjusted to account for our Equity-Accounted JVs using the proportionate consolidation method:

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

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 for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

Financing cost reserve: This reserve represents normalized costs of refinancing our mortgages, estimated at 60 basis points, applied to the debt balances outstanding at the end of the reporting period and taking into account weighted average term to maturity of our mortgage portfolio.

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

The following table provides the calculation of AFFO for Credit Facilities for the purposes of the covenant calculations in the Credit Agreements:

(\$000s)	Q1 2018	Q1 2017
FFO ⁽¹⁾	42,820	42,106
<i>Add (Subtract) amounts as defined in the Credit Agreements:</i>		
Principal portion of capital funding receivable	1,465	1,386
Amounts receivable under income guarantees	1,112	290
Amortization of financing costs and fair value adjustments on mortgages payable ⁽²⁾	98	(358)
Financing cost reserve	(337)	(382)
AFFO for Credit Facilities before capital maintenance reserve	45,158	43,042
Capital maintenance reserve - 2% of property revenue	(4,491)	(4,222)
AFFO for Credit Facilities	40,667	38,820

(1) Non-GAAP; refer to the "Additional Information on Non-GAAP Financial Measures – Funds from Operations" section on page 40 of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; excludes amortization of financing costs incurred in respect of renewal of our Credit Facilities and Debentures.

Unitholders' Equity

The following table summarizes changes in the number of outstanding units during Q1 2018:

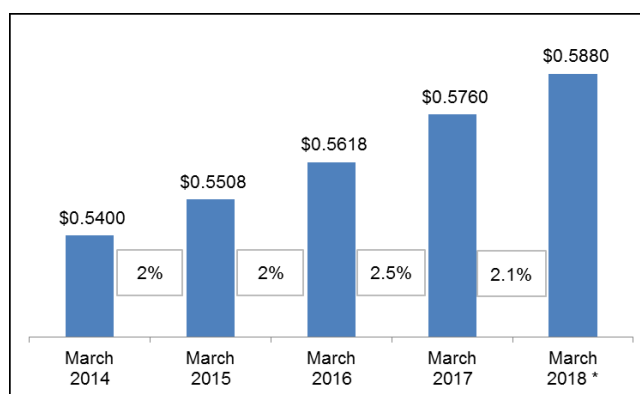
	Trust Units	Trust Units under EUPP	Class B Units	DTUs	Total
Balance December 31, 2017	209,481,633	1,452,089	1,648,738	872,599	213,455,059
Trust Units issued pursuant to DRIP	355,843	-	-	-	355,843
Trust Units issued under EUPP	-	115,348	-	-	115,348
Trust Units surrendered for cancellation under EUPP	-	(284)	-	-	(284)
Trust Units released on settlement of EUPP receivable	10,827	(10,827)	-	-	-
DTUs	-	-	-	14,705	14,705
Distributions on DTUs	-	-	-	8,171	8,171
Balance March 31, 2018	209,848,303	1,556,326	1,648,738	895,475	213,948,842

Distributions

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

On February 22, 2018, the Trustees approved a 2.1% increase in our monthly distributions from annualized \$0.5760 per unit to \$0.5880 per unit effective for the March 31, 2018 distribution payable on April 16, 2018.

The following chart summarizes increases in our annualized per unit distributions since 2014:



* Effective for the March 31, 2018 distribution payable on April 16, 2018.

Unitholders who are Canadian residents are eligible to participate in our DRIP, which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in our DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In Q1 2018, our average DRIP participation was 17.6% compared to 17.4% participation in Q1 2017.

The following table summarizes distributions declared on Trust Units in Q1 2018, 2017 and 2016 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q1 2018	2017	2016
Distributions declared on Trust Units	30,597	112,025	104,701
Cash flows from operating activities	27,881	181,958	158,373
Net income/(loss) from continuing operations	15,514	13,082	(710)
Excess/(deficit) cash flows from operating activities over distributions declared on Trust Units	(2,716)	69,933	53,672
Deficit of net income/(loss) from continuing operations over distributions declared on Trust Units	(15,083)	(98,943)	(105,411)

Historically, we distributed cash to our unitholders in excess of net income from continuing operations. We do not use net income/(loss) as determined in accordance with GAAP 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 2018 is primarily attributable to seasonality in our operating results which we expect to normalize during the year. This excess was financed utilizing our Credit Facilities.

We believe our current distributions are sustainable.

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for March 31, 2018 compared to December 31, 2017.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	(12.5)	Total assets decreased primarily due to depreciation and amortization and property dispositions, partially offset by additions to PP&E, investments in joint ventures and increases in trade and loans receivable.
Total liabilities	(3.0)	Total liabilities decreased primarily due to the repayment of mortgages, accounts payable and other liabilities, partially offset by higher amounts outstanding under Credit Facilities.
Equity	(9.5)	The decrease in equity is primarily due to distributions, partially offset by net income for the period.

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 projects.
3. Maintain the quality of our portfolio in compliance with applicable laws and regulations to maintain and grow the value of our real estate.

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

The following table summarizes our capital investments in Q1 2018 and Q1 2017:

(\$000s)	Q1 2018			Q1 2017		
	Properties Owned prior to January 1, 2014 ⁽¹⁾	Properties Acquired since January 1, 2014 ⁽²⁾	Total	Properties Owned prior to January 1, 2014 ⁽³⁾	Properties Acquired since January 1, 2014 ⁽⁴⁾	Total
Building improvements	2,167	722	2,889	2,069	185	2,254
Mechanical and electrical ("M&E")	923	1,423	2,346	688	315	1,003
Suite improvements and upgrades	3,291	1,883	5,174	2,655	915	3,570
Interior improvements and upgrades	55	490	545	369	134	503
Furniture, fixtures and equipment	768	911	1,679	578	331	909
Communications and information systems	517	93	610	874	381	1,255
Properties under development	7,721	5,522	13,243	7,233	2,261	9,494
Land held for development			31,490			20,180
			-			30
Total capital investments			44,733			29,704

(1) Includes 153 properties (17,651 suites at Chartwell's share of ownership).

(2) Includes 28 properties (3,672 suites at Chartwell's share of ownership).

(3) Includes 159 properties (18,258 suites at Chartwell's share of ownership).

(4) Includes 24 properties (2,819 suites at Chartwell's share of ownership).

The following table is supplemental information and summarizes capital investments in our Equity-Accounted JVs in Q1 2018 and Q1 2017 not included in the table above:

(\$000s)	Q1 2018			Q1 2017		
	Properties Owned prior to January 1, 2014	Properties Acquired since January 1, 2014	Total ⁽¹⁾	Properties Owned prior to January 1, 2014	Properties Acquired since January 1, 2014	Total
Capital investments in Equity-Accounted JVs	480	2,333	2,813	137	6,798	6,935

(1) Includes \$2.3 million related to one property under development.

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 2018, we completed 14 major building improvement projects valued over \$50,000 each, totalling \$1.1 million. In Q1 2017, we completed five projects for a total of \$0.4 million.

In addition, this category includes the acquisitions of one condominium suite at one of our properties in British Columbia totalling \$0.3 million. In Q1 2017, we acquired two condominium suites for a total of \$0.6 million.

Mechanical and Electrical

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

In Q1 2018, we completed 26 major M&E projects valued over \$50,000, totalling \$3.2 million. In Q1 2017, we completed one project for a total of \$0.1 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 2018, 43 properties were subject to strategic suite upgrade programs (Q1 2017 – 38 properties).

Interior Improvements and Upgrades

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

In Q1 2018, two properties were subject to strategic common area upgrade programs (Q1 2017 – seven properties).

Furniture, Fixtures and Equipment

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

Communication and Information Services

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

Commitments and Contingencies

Contractual Obligations and Guarantees

Details of our contractual obligations and guarantees are outlined in our 2017 MD&A. There were no significant changes in our contractual obligations and guarantees in Q1 2018 which are outside the ordinary course of business.

Summary of Select Financial Information

Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2018		2017				2016	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	206,550	209,724	204,538	193,856	192,176	194,802	191,400	189,357
Direct property operating expenses	(135,347)	(136,966)	(130,774)	(126,693)	(125,943)	(128,177)	(122,883)	(122,959)
Depreciation and amortization	(40,775)	(40,844)	(39,089)	(35,341)	(38,075)	(38,534)	(37,955)	(35,021)
Share of net income/(loss) from joint ventures	301	1,230	2,046	904	536	1,829	1,759	931
G&A expenses	(12,530)	(9,221)	(8,260)	(10,121)	(10,405)	(8,227)	(8,264)	(9,126)
Other income/(expense)	12,920	(826)	(3,426)	(553)	(1,371)	1,049	(5,180)	3,393
Finance costs	(17,533)	(18,407)	(18,517)	(17,614)	(16,584)	(16,582)	(16,630)	(17,440)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	1,908	(3,941)	3,690	1,765	(4,501)	6,693	178	(5,546)
Current income tax (expense)/benefit	(8)	(7)	(8)	-	-	(27)	-	-
Deferred income tax (expense)/benefit	28	(28)	26	106	-	-	-	-
Net income/(loss) for the period – continuing operations	15,514	714	10,226	6,309	(4,167)	12,826	2,425	3,589
Net income/(loss) for the period	15,514	714	10,226	6,309	(4,167)	15,053	2,430	7,185
FFO – continuing operations ⁽¹⁾	42,820	48,022	50,517	41,856	42,106	43,767	46,222	42,304
Diluted FFO – continuing operations ⁽¹⁾	42,820	48,022	50,517	41,856	42,106	43,767	46,222	43,005
FFO per unit diluted – continuing operations ⁽¹⁾	0.20	0.24	0.26	0.21	0.22	0.23	0.24	0.22
Total FFO ⁽¹⁾	42,820	48,022	50,517	41,856	42,106	43,767	46,222	42,304
Total Diluted FFO ⁽¹⁾	42,820	48,022	50,517	41,856	42,106	43,767	46,222	43,005
Total FFO per unit diluted ⁽¹⁾	0.20	0.24	0.26	0.21	0.22	0.23	0.24	0.22

(1) Non-GAAP; refer to the “Additional Information on Non-GAAP Financial Measures” section on page 40 of this MD&A.

Our results for the past eight quarters have primarily been affected by developments, acquisitions and dispositions as described in the “Significant Events” section on page 7 of this MD&A and in our 2017 MD&A, and changes in fair value of financial instruments and foreign exchange gains and losses.

Seasonal factors have a limited effect on our quarterly results as there is not a predictable pattern as to the effect of such factors. Seasonal factors include outbreaks and weather patterns.

Additional Information on Non-GAAP Financial Measures

As described in the relevant sections of this MD&A, where a Non-GAAP Financial Measure is discussed for the first time, we have described why we believe it is useful to investors and how management uses the Non-GAAP Financial Measure. Non-GAAP Financial Measures do not have any standardized meaning prescribed by GAAP and therefore, are unlikely to be comparable to similar measures used by other issuers. The following provides detailed definitions and reconciliations to the most closely comparable GAAP measure for any Non-GAAP Financial Measure that has not been provided elsewhere in this MD&A.

Funds from Operations

According to the REALPAC Guidance, FFO is defined as follows:

Profit or loss per GAAP 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. Gain or loss on the sale of an investment in a foreign operation.
- M. Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- N. Negative goodwill or goodwill impairment.
- O. Effects of puttable instruments classified as financial liabilities.
- P. Results of discontinued operations.
- Q. Adjustments for equity-accounted entities.
- R. Incremental leasing costs.
- S. Property taxes accounted for under IFRIC 21.
- T. Non-controlling interests in respect of the above.

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) from continuing operations to FFO:

(\$000s, except per unit amounts)		Q1 2018	Q1 2017	Change
Net income/(loss) - continuing operations		15,514	(4,167)	19,681
<i>Add (Subtract):</i>				
B	Depreciation of PP&E	40,363	37,578	2,785
D	Amortization of limited life intangible assets	412	497	(85)
B	Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above	(698)	(545)	(153)
E	Loss/(gain) on sale of assets	(13,712)	(38)	(13,674)
J	Transaction costs arising on business acquisitions and dispositions	827	1,600	(773)
G	Deferred income tax	(28)	-	(28)
O	Distributions on Class B Units recorded as interest expense	239	243	(4)
M&O	Changes in fair value of financial instruments and foreign exchange loss	(1,908)	4,501	(6,409)
R	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,811	2,437	(626)
FFO ⁽²⁾		42,820	42,106	714
FFO per unit ⁽³⁾		0.20	0.22	(0.02)

(1) Non-GAAP; see reconciliation table following for the calculation of these amounts.

(2) Non-GAAP; refer to the preamble to this table and to the "Consolidated Results of Operations – FFO" section on page 13 of this MD&A for a discussion of the significance of this metric.

(3) Non-GAAP; refer to the "Per Unit Amounts" section on page 42 of this MD&A for a discussion of the calculation of the per unit amounts.

The following table provides supplemental information in respect of the adjustment to FFO for Equity-Accounted JVs which would have previously been included on each individual line of our FFO reconciliation and are now included in the 'Adjustment to FFO for Equity-Accounted JVs' line:

(\$000s)		Q1 2018	Q1 2017	Change
B	Depreciation of PP&E	1,712	2,052	(340)
D	Amortization of limited life intangible assets	-	4	(4)
E	Gain on sale of assets	50	2	48
M&O	Changes in fair value of financial instruments and foreign exchange loss	49	379	(330)
R	FFO adjustments for Equity-Accounted JVs ⁽¹⁾	1,811	2,437	(626)

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

Per Unit Amounts

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

Weighted Average Number of Units

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

(000s)	Q1 2018	Q1 2017	Change
Weighted average number of units ⁽¹⁾	213,674	194,385	19,289

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

Net Debt to Adjusted EBITDA

In addition to the financial covenants related to our Credit Facilities and Debentures, we internally monitor the Net Debt to Adjusted EBITDA ratio as calculated based on the definitions of Consolidated Indebtedness and Consolidated EBITDA contained in the trust indentures for our Debentures.

The following table summarizes our Net Debt to Adjusted EBITDA ratio at March 31, 2018 and December 31, 2017:

(\$000s, except Net Debt to Adjusted EBITDA ratio)	March 31, 2018	December 31, 2017
Consolidated Indebtedness for Debentures ⁽¹⁾	2,178,070	1,832,269
Consolidated EBITDA for Debentures ⁽²⁾	282,272	266,831
Net Debt to Adjusted EBITDA ratio	7.7	6.9

(1) Refer to the "Supporting Covenant Calculations – 4. Consolidated Indebtedness for Credit Facilities and Debentures" section on page 32 of this MD&A for the calculation of this amount.

(2) Refer to the "Supporting Covenant Calculations – 1. Consolidated EBITDA for Credit Facilities and Debentures" section on page 30 of this MD&A for the calculation of this amount.

Critical Accounting Policies and Estimates

Critical Accounting Judgements, Estimates and Assumptions in Applying Accounting Policies

In our 2017 MD&A as well as in our 2017 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 2018.

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 Controls 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, 2018. 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.

There were no material changes that occurred during the quarter ended March 31, 2018 that have significantly affected or are reasonably likely to significantly 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 regarding the strength of the labour market;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels and rental rate increases at our LTC and retirement communities;
- our expectations of growth in the seniors population in our markets;
- information related to the stabilization of seniors housing communities in development and 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 assessment that occupancy pressures due to new developments will be temporary;
- 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 timing of closing of announced acquisitions and dispositions;
- 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 assumptions regarding the direction of interest rate changes;
- 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 22, 2018, and our 2017 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.